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THE EVOLUTION OF RETAIL BUSINESS
IN CENTRAL BUSINESS DISTRICTS IN RESPONSE TO THE
INTRODUCTION OF A DOWNTOWN SHOPPING MALL: A CASE STUDY OF
THE CBD IN THUNDER BAY NORTH

BY

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Honours Bachelor of Arts (Geography)
Lakehead University, 1984

THESIS

Submitted to the Department of Geography in
partial fulfillment of the requirements
for the Master of Arts degree
Wilfrid Laurier University
1987

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ABSTRACT

In recent decades, central business districts in many cities in Canada have undergone considerable change with respect to many aspects of their function and importance. A number of factors have been responsible for these changes; notably the migration of populations to the suburbs. The changes in the CBD have resulted in a deterioration of the core areas of almost every major city and a great many smaller communities in the country.

In response to this deterioration numerous downtown renewal schemes have been implemented with varying degrees of success. A growing number of these schemes has involved the development of downtown shopping malls. Though these developments are advocated by some, others warn against such undertakings and question the extent to which merchants outside the mall on the surrounding streets benefit. Further, studies have been undertaken that indicate that within shopping malls, benefits accrue to the large department stores and multi-branch chains at the expense of local independent merchants. This tendency to perpetuate discriminatory relationships between the national chain stores and local independents has resulted in chain store dominance in most shopping centres.

This thesis advances a framework for a descriptive model of change in retail activities in response to the development of a downtown shopping centre. Inferred from this model are three hypotheses. First, it is hypothesized that over time there has been a decline in the absolute number of retail enterprises within the CBD. Second, it is suggested that little or no net gain results from the construction of the mall as growth within the mall occurs at the expense of merchants on the surrounding streets. Third, it is hypothesized that there has been a shift away from the dominance of locally-owned enterprises toward the dominance of national multi-branch stores and that the development of a downtown mall accelerates this trend.

These hypotheses are tested in a case study of Thunder Bay, Ontario, through an examination of retail change in the city, as a whole, and specifically the entry and exit of retail establishments in the CBD. Surprisingly, all three hypotheses are found to be false. The data suggest that the development of the Keskus Mall has helped in arresting the decline in the number of retail establishments and growth in the number of establishments has occurred in recent years. Further, it is noted that, although the mall development resulted in the injection of a number of chain stores into the area, locally owned stores continue to represent the majority and have in fact increased in number since the mall's construction.

Some reasons for these findings are based on interviews with local businessmen. It is widely held that the mall has

resulted in a dramatic increase in the level of consumer activity in the downtown. It is further felt that this activity is not confined to the mall but rather has increased in the stores on the surrounding streets. It appears that the Keskus mall is well integrated with the existing retail environment, drawing consumers to the downtown and facilitating pedestrian movement on the traditional shopping streets. Finally it has been found that the relative advantages held by the chain stores and large department stores are not as great as originally expected.

It is concluded, based upon the investigation of Thunder Bay's experience, that downtown shopping mall developments may, indeed, offer an appropriate means of core area revitalization if carefully planned to meet the needs of the existing retail environment.

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1.0 INTRODUCTION

Central business districts are traditionally the major focal points in cities. These areas, usually possessing the peak land values and greatest volumes of pedestrian traffic, are often the location of proud achievements in city building. The central business district (CBD) has been described as the physical expression of the communities' public face; a measure of its state of well being (Williams and Associates, 1982). As such, it is the single district in which each member of the community has a stake and a vested interest. It is perhaps due to this prominence that central business districts have been an area of study favoured by many geographers.

A more recent reason for the attention being paid to central business districts lies in the fact that they are facing the many problems associated with core area decline.

2

As the point of maximum accessibility and the major concentration of commercial activity, the CBD has traditionally been regarded as the hub of urban life, the component about which everything else revolves. In recent years, however, many economic and social changes have wrought profound impacts on the nature of the central business district. Of course, profound changes have been the normal pattern of events since recognizable retailing core areas emerged in the early part of the nineteenth century (Bowden, 1971) but the pace and scale of change has accelerated in recent years (Murphy, 1972).

The decline of the central business district from its position of dominance with respect to many social and economic activities is a widespread phenomenon in North American cities and the problems associated with this decline are well known. These problems include declining retail sales, increased traffic congestion, lack of parking space, ageing and deteriorating structures, the proliferation of marginal economic activities, increased crime rates and the encroachment of low income groups (Bourne, 1982).

These problems and many others have led to the development and implementation of downtown plans, downtown revitalization programs and downtown redevelopment schemes in almost every city and a great many smaller communities in Canada. These plans, programs and schemes have called for

the implementation of a wide range of potential solutions. One such "solution" has involved the radical redevelopment of main streets and the construction of downtown malls. The logic behind such a plan seems simple enough; if shopping centres work on the outskirts of town, why not replace a portion of the central business district with an indoor shopping mall?

Proponents of such schemes argue their merits on the grounds that the millions of dollars involved in such projects promise many construction jobs together with increased employment resulting from all of the associated spinoffs. They argue further that increases in retail jobs can be expected as a result of the development and finally that such projects will lead to a rejuvenated downtown (Desson, 1983).

Those in opposition to this particular form of CBD development note that all construction related employment will be of a short term nature only. They point out that the projects will not result in significant increases in the demand for consumer goods and suggest, therefore, that retail jobs created within the mall may be offset by the loss of retail jobs from stores forced out of business by the mall on the traditional shopping streets near the mall (McKeever, 1977). Also, those in opposition argue that although downtown centres do undeniably attract consumers, the attraction is highly localized. Customers may park, shop in the centre, and return to their cars paying little

attention to the stores on the street outside the mall (Desson, 1983; Smith, 1984). Thus opponents question the extent to which downtown malls lead to downtown rejuvenation.

In addition to the arguments noted above there exists an aspect of the potential impact of a downtown mall to which little attention has been paid. This concerns the question of ownership and control. It is suggested from time to time, that one of the negative aspects of suburban malls lies in their tendency to perpetuate discriminatory relationships between the national chain stores and local independents within the shopping centre (Moyer and Sernic, 1980; Ircha, 1982). However, in the past, mall developments have been concentrated in the suburban regions of the city, away from the majority of existing retail establishments. What impacts on the local independent retailers result when the mall is built in the heart of the traditional retail zone? An investigation of this question is the primary focus of this study.

1.1 GOALS AND OBJECTIVES

The CBD in the city Port Arthur, Ontario (since 1971, part of Thunder Bay) has in no way been exempt from the problems of core area decay. In the last twenty years, the

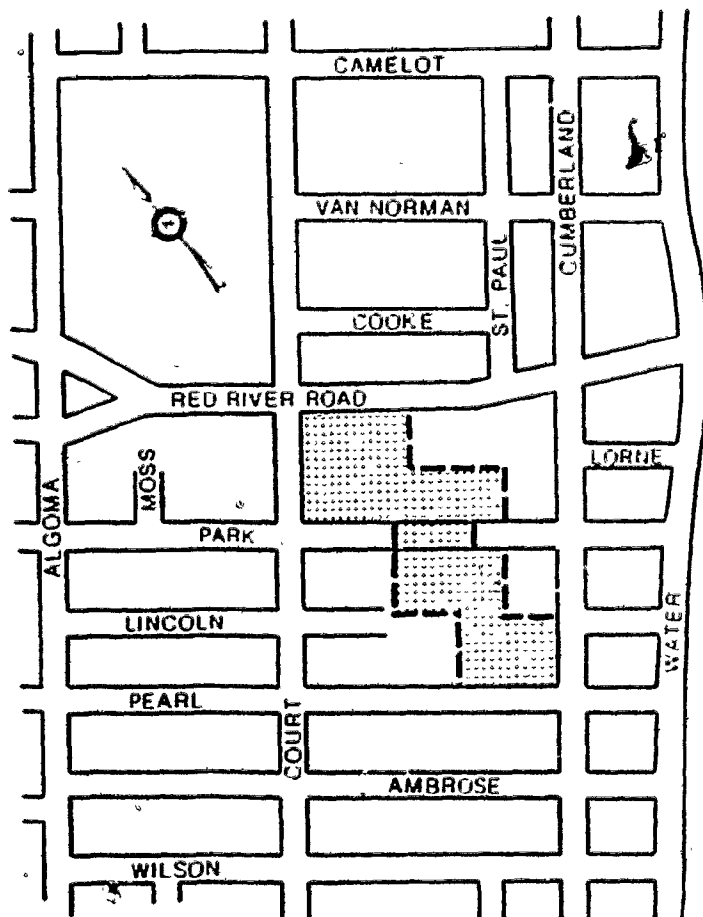
population of Thunder Bay has experienced slow but steady growth, increasing by approximately ten percent to the current size of 112,333. During this same time period, the population in the immediate vicinity of the CBD declined by more than twenty-five percent (Lorch, 1985).

As with so many other cities, a solution to the problems of inner city decay was envisaged in the construction of an enclosed shopping mall within the downtown core. The department store chain of Eaton's agreed to undertake major renovations and expansions of its existing store, while a local developer (Headway Corporation) advanced a proposal to construct an adjoining mall. When completed the entire structure would stretch diagonally across the downtown area from the corner of Red River Road and Court Street to the corner of South Cumberland and Pearl Streets (see Figure 1.1). In total, the project embodied some 200,000 square feet of retail space (Lorch, 1985).

The mall, now known as Keskus, was completed in November of 1974 and by the following spring, was occupied by Eaton's together with twenty four other retailers. By 1985 the number of merchants in the mall had grown to forty three, nearly twice the number it started with ten years earlier. On the conventional shopping streets, however, the signs of decline and decay remain evident. Empty lots and vacant store fronts lead one to question whether the presence of the mall has been an asset to retailers located

FIGURE 1.1

LOCATION AND SCALE OF
THE KESKUS MALL IN THE
HEART OF DOWNTOWN
THUNDER BAY NORTH



in the surrounding downtown.

In addition to the apparent changes and trends regarding the absolute number of retail establishments in the downtown, the apparent dominance of large chain and department stores, both in the mall and on the traditional shopping streets leads one to speculate that there has been a shift in the structure and organization of retail ownership away from the traditional owner-operated enterprise in favor of externally controlled department and chain stores.

Questions about patterns of retail ownership are of considerable significance as changes in these patterns have far reaching effects. Whether or not chain, as opposed to local enterprises, are to the benefit of the consumer is open to debate. The increasing number of chain store outlets together with increases in their market share in recent decades (Statistics Canada's Retail Chain and Department Stores data, 1984) stands as a testimonial to chain store organizations' ability to successfully cater to consumer needs. An increase in multi-branch chain stores, with their head offices in other centres, however, leads to the erosion of local control over the retail environment. Promotions geared to attracting consumers to an area such as the downtown, as opposed to any particular store in that area, become harder to co-ordinate and retail rejuvenation projects are more difficult to implement as many of the

decisions required must be made by people outside the area: people at "head office".

It is also worthy of note that when control of the retail environment leaves a community, as a result of an increasing presence of multi-branch stores, so also do profit dollars. In fairness it must be noted that these stores operate as a result of external investment, but one must wonder if it would not have been better for the host community had the retail environment been made more conducive to investment by local entrepreneurs.

The CBD in Thunder Bay North has been subject to a great many influences. Changes in such factors as population densities and levels of employment, as well as other developments within the city, all play a role in shaping the retail environment. Although these factors are discussed and considered, their impacts are not quantified. Rather, it is the intent of this thesis is to examine the evolution of retail business in the CBD of Thunder Bay North with respect to the effects of the downtown Keskus mall. The study identifies and describes trends in the number of retail enterprises in the downtown, both before and after the development of the Keskus mall and examines the nature of ownership of these retail enterprises.

1.2.THESIS STRUCTURE

Chapter Two provides a point of reference for the study

in general terms. A brief discussion of the relevant literature is presented. A model for the description of change in retail business and the impact of downtown malls on the central business district is then advanced. This section then elaborates on the changing nature of central business districts, through a discussion of the events which have led to central business district decline, the impacts of this decline and various approaches to core area renewal.

Attention is then turned to the evolving retail process. The development and impacts of shopping malls and the relationship that exists between mall developments and the growing number of chain and department stores is examined with reference to downtown retail activities.

The information presented in this chapter provides the basis for questioning the appropriateness of the development of downtown malls as a means of retail rejuvenation and leads to the development of three hypotheses.

Chapter Three discusses particulars regarding the design of the case study undertaken in Thunder Bay. A brief description of the city is followed by a closer examination of the central business district in Thunder Bay North. The case study methodology with respect to study area delimitation and means of data collection is presented.

A presentation of the case study findings follows in Chapter Four. A discussion of retail activities within the whole city is provided so as to put the more detailed

description of retail activities in the central business district in perspective. Examined are the changes over time in the number of retail outlets and the extent to which these outlets are locally-owned or externally-controlled chains. Particular attention is given to the difference between the nature of change prior to and after the development of the Keskus mall in the central business district of Thunder Bay North.

The concluding chapter provides an interpretation of the case study observations. A comparison and contrast of these observations to the findings of other studies is made. Input and comments from area businessmen are provided so as to present, as accurately as possible, an interpretation of the events under study. With an improved understanding of the changes in the central business district in response to the introduction of a downtown shopping mall, a revised version of the model advanced in Chapter Two is presented. Finally, the impacts of the Keskus mall development in the central business district are summarized in a statement of what has been learned during this undertaking. A more thorough understanding of the appropriateness of downtown malls as a means of core area renewal and the relevance of this to urban planners and policy makers is presented.

2.0 CONCEPTUAL FRAMEWORK

A brief discussion of the related literature is presented in this chapter and a void in research, with respect to the impact of downtown malls on central business districts, is identified. A framework of a descriptive model of change in retail business and the impact of downtown malls on the central business district is then advanced. Following this, the conceptual and empirical basis for this study is examined and critically reviewed, and the logic behind the scenario embodied in the model is discussed.

This discussion first involves an examination of the central business district and the various aspects of its development and changing function. The problems these areas face with respect to core area deterioration are examined through a discussion of resident population changes, industrial and employment shifts and the decentralization and decline of retail activities. A discussion of retail renewal, in response to the problems the core area faces, is then presented.

Following this discussion, general changes and trends in retailing are examined. Emphasis is placed on shopping malls and their impacts on the existing retail environment and particular attention is paid to the impact of these chain store dominated malls on independent retail enterprises.

With a knowledge of these changes in retail activities

the appropriateness of downtown malls as a means of renewal is placed in question. Three hypotheses, tested in the CBD in Thunder Bay North, are then advanced.

2.1 CURRENT TRENDS IN RESEARCH

The most recent trend in the study of retail geography is a shift in research away from purely "academic" toward studies more pragmatic in nature. Fewer downtown studies than in the past appear to concentrate on refining assumptions or defining the nature of retail systems and processes. It appears that a greater number of studies now strive toward problem solving recommendations. Perhaps this is a natural evolution in urban retail geography resulting from the maturing of assumptions and models. It may also have been spurred on by rapid changes in retail environments in recent decades and the very visible problems of commercial core deterioration. More and more articles are appearing that clearly direct their findings to policy makers and city planners (Incha, 1982; Wallenberg and McLaughlin, 1982) or conclude with development recommendations (Holdsworth, 1985; Williams and Associates, 1982). Studies of this nature appear to be closest aligned, with respect to their area of interest as well as their intent, to the direction of this thesis.

2.1.1 PAST EXAMINATIONS OF DOWNTOWN MALLS

Within retail geography there exists a considerable literature that focuses exclusively on shopping centres. These articles examine this relatively recent development in retailing from a number of associated perspectives, such as their economic impact (Epstein, 1961), their competition with downtown retail activities (Winter, 1983), optimum location (Cohen and Applebaum, 1961), market area delimitation (Dent, 1973), sales potential and consumer preference (Imus, 1961).

Although there are numerous articles discussing shopping-centres, those in question are most often suburban malls. The body of literature examining downtown mall developments, however, is slowly expanding.

This literature includes examinations of the planning and design phase of downtown malls such as the article by Pelloi (1983). Pelloi concludes that the urban design review process has evolved over the past to the point that it possesses an increased sensitivity to a wider range of both private and public goals.

Also concerned with their design, downtown malls have been discussed with a particular interest in their impacts on existing retail and business structures of historic and architectural value (Desson, 1983). Desson questions the appropriateness of downtown malls as a means of

rejuvenation. Though mentioning his views regarding consumer behavior in response to a new mall development downtown, Desson's primary interests lie with the physical aspects of such an undertaking and his concern regarding their successful integration with the existing retail environment.

The various social impacts of downtown malls have received some attention. Two such studies include the works of Brown (et al. 1985) and Ferguson (1985) who discuss the changing character of the downtown resulting from a shopping mall development. It is noted that historically, the heart of the city has been a place to which all citizens have equal access and for which all had some measure of responsibility. Brown and Ferguson both suggest that this is not the case in shopping malls and that a different set of rules can be enforced due to the fact that malls are usually privately owned. Noting the diversity of social groups in the traditional downtown, questions are raised as to how individuals in some of these groups have been affected by the transformation of their local environment.

Davies and Bennison (1980), two geographers well known for their studies of retail systems in Britain, have published a thorough examination of the impacts of downtown shopping centre developments on existing retail environments. Their study is likely one of the most comprehensive on the subject. The many variations, however, that exist in the nature of shopping centres and, in fact, the entire retail environment between Britain and in North

America (for a more complete discussion see Dawson, 1983) make it difficult to draw direct comparisons.

Despite the many differences, it is interesting to note that Davies and Bennison found that, though consumer spending in the downtown rose by ten to fifteen percent as a direct result of a shopping centre development, the mall was capturing close to a third of the total trade. This, together with the disruption of construction, resulted in devastating impacts along several of the traditional shopping streets. Near the end of the four year study period, however, strong signs of recovery in many of these areas were evident. The goal of their study, rather than to determine the merits of such developments was simply to make a contribution to the body of literature by presenting quantitative measures of downtown malls' impacts on their surrounding areas.

Few studies examine the appropriateness of downtown malls from the perspective of impact as measured by the number of stores in existence before and after their construction. One exception is a study by Weisbrod and Pollakowski (1984) in which the effects of downtown improvement projects are examined with attention focused on the impacts of pedestrian mall developments. Noting a lack of quantitative analysis on the subject, Weisbrod and Pollakowski collect data regarding the entry and exit of retail and service establishments in and around eight

different pedestrian mall developments. Success of these undertakings, as measured by the total number of establishments showed mixed results. Four of the pedestrian malls resulted in an increase in the number of enterprises, while the number of businesses in the remaining four dropped off. It is interesting to note, and particularly relevant to this thesis, that no evidence was found that would suggest that the development of a pedestrian mall had had any negative impacts on the retailing and service activities in the surrounding central business district.

With respect to business ownership, Weisbrod and Pollakowski found that establishments that were part of a larger organization (chain stores) had replaced independent firms after downtown revitalization projects in some cities, but noted the phenomenon was not universal.

Despite the efforts of Weisbrod and Pollakowski, questions regarding retail store ownership patterns in downtowns remain largely unanswered, especially in reference to downtown mall developments. Retail ownership has been examined with respect to suburban malls by Ircha (1982) and Honigman (et al., 1985). The decline in independent stores in Canada is also examined by Moyer and Sernick (1980) but not with specific reference to downtown areas. Holdsworth (1985) comments on the decline of independent stores and an increase in the number of chain stores in downtowns but only in passing and not with respect to the impacts of downtown malls.

It would appear that the downtown mall as a retailing innovation and a method of core area renewal has yet to be isolated and examined to any significant degree, particularly in Canada. Perhaps this is due to the recent nature of their development. Another cause for this lack of literature maybe because in most major centres - the locations most frequently studied - the significance of the development of a mall may be dwarfed by a myriad of other events occurring in the large and rapidly changing retail environment. Those studies which have examined the impacts of downtown shopping malls on the existing retail environment have tended to examine changes that have occurred only over a short period of time. It would appear that in addition to lack of studies, in general terms, there is a particular need for research that examines changes over a long enough time period to come to conclusions regarding long term effects.

Many questions regarding the effects of downtown malls have yet to be answered and opinions regarding these effects and impacts differ widely. As such, it can be seen that it is a subject in need of considerably more examination.

2.2 TOWARDS A DESCRIPTIVE MODEL

Traditionally mall developments have been confined to suburban areas. Although arguments have been advanced that

malls allow for the increase of the already rapidly growing advantages of large department and chain stores over locally owned and independent enterprises (Ircha, 1984). at least, the impacts have been buffered, to some degree, by distance.

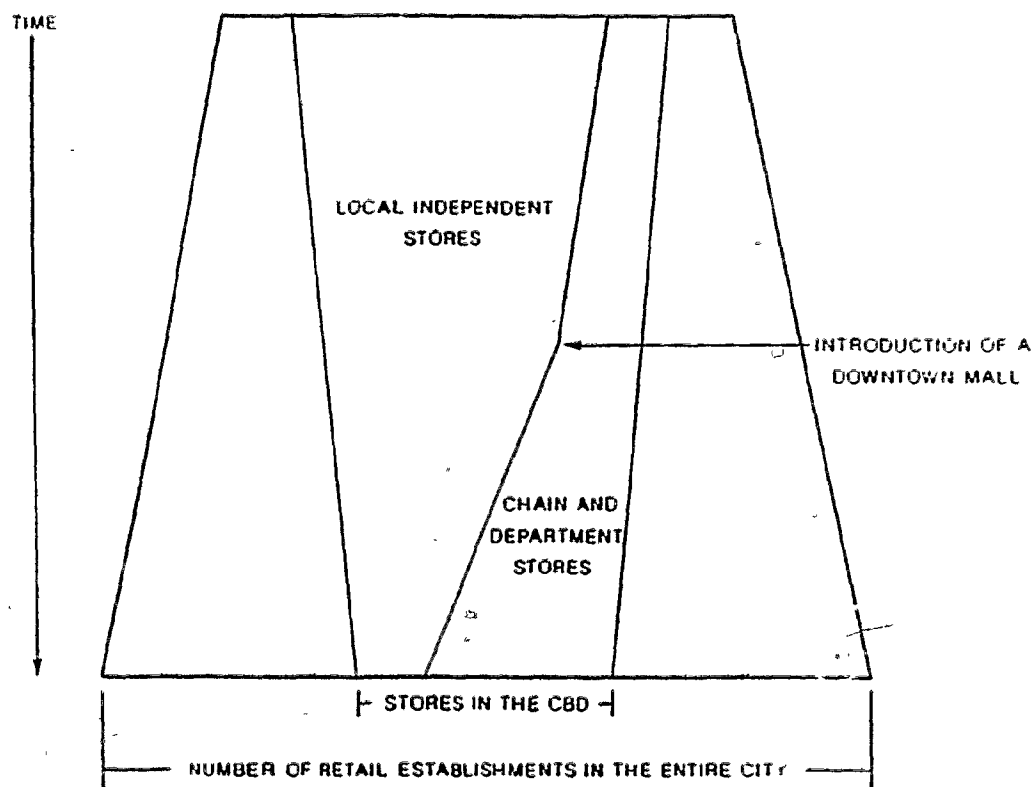
As suburban locations for development become increasingly scarce, developers have turned their attention to the downtowns. With the development of a mall in the retail heart of the city, what are the prospects for the established local enterprises located across the street?

Though quantitative analyses of the impacts these downtown malls have on the surrounding retail environment are scarce, one can point to any of a number of examples that would lead to questioning their appropriateness as a means of retail renewal. In Toronto, for example, the Eaton's Centre appears to be enjoying considerable success. However, the east side of Yonge Street, once one of the city's better shopping strips, has been described as a sorry collection of magazine shops, fast-food outlets, jewelry exchanges and cut-rate retailers (Sewell, 1987).

The framework for a descriptive model of change in downtown retail business (see Figure 2.1) is set against a backdrop of a rapidly expanding retail sector in the city as a whole. It graphically describes a scenario where retail activities are on the decline in the central business district. Secondly, the model describes a situation whereby a downtown mall is introduced with no net gain in the number of retail establishments in the downtown as the new stores

FIGURE 2.1

THE FRAMEWORK FOR A DESCRIPTIVE 'MODEL' OF CHANGE IN RETAIL
ACTIVITIES FOCUSING ON CHANGES IN THE DOWNTOWN IN RESPONSE
TO THE INTRODUCTION OF A DOWNTOWN SHOPPING MALL



added result in the closure of a corresponding number of established outlets on the surrounding shopping streets. Finally the model describes a situation in which the development of a mall facilitates the increase of pressure from chain and department stores in the heart of an area generally considered the last hold-out for independent owner-operated retail enterprises. It must be emphasized that this model seeks only to describe the nature of change. Although several explanatory factors are discussed, it is beyond the purpose of this research to test for the importance of these factors within an explanatory framework.

2.3 THE CENTRAL BUSINESS DISTRICT: A BRIEF OVERVIEW

It has been suggested that the central business district, more than any other zone or area, possesses attributes common in most cities (Murphy, 1972). It is central with respect to accessibility. It is marked by a concentration of the tallest structures in a city as it normally includes many of the office buildings and largest stores. As mentioned, it is the area where traffic, both vehicular and pedestrian, are likely to be most concentrated. It possesses the highest assessed land values and taxes paid and draws business from the whole metropolitan area and from all ethnic groups and socio-economic classes (Potter, 1978). Such is the central

business district as we have come to know it. The events of recent decades, however, have resulted in substantial changes to the downtown and its decline from dominance in many respects.

Change has always occurred within the downtown with respect to both size and function. It had not been until the middle of this century, however, that this change in North American Centres could be seen so clearly as a negative decline. Many social and technological evolutions have been labelled as factors leading to these changes within the downtown (Mills and Price, 1984) and, not surprisingly, authors place greater emphasis on some of these factors than others. Unquestionably, at the root of these factors is the movement of people.

2.3.1 CHANGES IN THE RESIDENT POPULATION

The Depression and the Second World War resulted in low levels of demand for new housing in both Canada and the United States. After the war, however, the return of soldiers, and increases in marriages, birth rates and accumulated consumer demand, brought about an accelerated demand for new housing (Schreiber, 1976). This housing was to take the form of single family dwellings on lots in a low density environment on the fringes of the city. Increased affluence at the time helped to facilitate the purchase and utilization of private automobiles, a means of

transportation well suited to these low density, suburban developments (Holcomb and Beauregard, 1981).

The more affluent middle class families who migrated to the suburbs were replaced, in the main, by people of lower socio-economic class. In the United States, where the infill by the lower classes has been more extreme, the movement of Blacks from the rural areas in the south to the central areas of cities in the north east and north central states was a notable trend (Gorham and Glazer, 1976). In Canada, the process of infill by lower classes into inner cities appears to have been less extreme and resulting more from the addition of immigrants to Canada than from the movements of people already in the country.

These changes have resulted in inner city populations that differ from the metropolitan average in various respects such as age and family status, income and ethnic character. In the 1960's Murphy (1974) found that relative to the rest of the city the downtown population contains higher proportions of young adults, retired persons, non-family households, low-income earners and minority ethnic groups.

In the 1970's and early 1980's attitudes regarding desired housing appears to have changed among certain segments of the population. The downtown, as opposed to a suburban environment, has proven to be a preferred location by a growing number of young career oriented professionals

(Mayer, 1986). Though not occurring to an extent sufficient to offset the trends discussed, (Gale, 1979) this resurgence of some members of the middle class has resulted in a number of distinct residential districts with very different socio-economic and demographic characteristics. These districts include the traditional areas of decline usually located near the old commercial-industrial zone, the modern high-rise apartment district often located near office buildings in the downtown and areas of gentrification.

2.3.2 OUTWARD SHIFTS IN INDUSTRY

The out-migration of middle class households has been accompanied by the exodus of industry. As consumers moved into the suburbs, businesses responded by moving production closer to its markets. Skilled labour migrated to the suburbs and so too did their place of employment. Firms could easily find cheap land in ample amounts in the suburbs (Winsberg, 1980).

Technology also played a role in the suburbanization of industry. With increasing mechanization, demand for unskilled urban labor diminished. Advances in communications and information processing technologies reduced the need for geographic centrality. Improvements in road transportation helped manufacturing industries whose location had been mainly influenced by proximity to raw materials, markets or a specific labor force. The locational advantages of ports

and railroad centres became less crucial with the rapid growth of truck hauling and the development of innovations in containerization. As improvements were made in transportation systems outside the city, increased congestion of urban streets, resulting in the movement of goods in cities becoming more difficult and costly (Holcomb and Beauregard, 1981).

In addition to technological changes, the political climate further facilitated the out-migration of industry. Higher property taxes in the downtown together with strict regulatory controls exerted by municipal governments made the less expensive suburban areas with their greater local political autonomy quite attractive (Mayer, 1986).

2.3.3 EMPLOYMENT SHIFTS

With the rapid movement of people and industry away from the downtown it is of no surprise that central area employment is declining. Information regarding downtown employment, however, is scarce at best, and most hypotheses are based on fragmentary evidence (Schreiber, 1976). Although still the area of greatest employment, the city centre is clearly undergoing a process of selective growth and decline. Employment gains have been made in office and other service functions but the role of the CBD in manufacturing, wholesaling and other goods handling activities has declined considerably (Christian and Harper,

1982).

Despite the growing number of office and other white-collar jobs, it is generally held that the city centre has not maintained its proportionate share of total metropolitan employment. As well as the decentralization of many goods-handling industries, professional services and administrative functions have followed the outward movement of the population to the suburbs where they have found it economically feasible to locate (Burns and Pany, 1977).

2.3.4 RETAIL CHANGE

Retail and service shifts have characteristically followed the relocation of people; such is the nature of a market oriented economic activity. Indeed, the high mobility rates, characteristic of the retail and service sectors of the economy, make these sectors extremely sensitive barometers of changing market conditions and of shifts in business organizations and practices (Berry, 1981).

As retailing has become increasingly decentralized the city centre has diminished in relative importance for all retail functions, and has experienced an absolute decline in the sale of some goods. A significant number of retail stores, which on the whole are extensive users of land, have been forced out by more intensive uses; for example, many furniture and discount stores and automobile dealerships

have moved out of the central area and have reassembled along major urban arteries in suburban locations.

The city centre now functions at three levels of retail specialization: as a convenience centre for the large daytime work force, as a mass merchandise centre for the central area population, and as a specialty centre for the metropolitan population. With respect to the CBD's function as a convenience centre, several studies have shown that about one third of all shopping trips made in the central business district originate from downtown workplaces (Nader, 1975). This close relationship is exemplified by the number of underground shopping plazas which have been incorporated into recently built office towers in many large Canadian cities, particularly Montreal, Toronto and Vancouver. Related to the daytime workforce, the transient hotel population is also becoming increasingly important to the survival of downtown retailing. In cities such as Quebec and Victoria, visitors account for a large proportion of downtown retail sales (Sternlieb and Hughes, 1981). It should be noted that the importance of tourist expenditure is not restricted to major cities but also to many smaller centres.

As a merchandise centre for the central area population, the decline of downtown retailing is related to the changes in central area populations. As a result of selective migration both the number of people living in the central area and their average income have declined, and

their importance to downtown retailing has consequently diminished (Gallion and Eisner, 1986).

The role of the downtown as a specialty centre for the metropolitan population has remained important, particularly in the case of those goods which are normally bought after some comparison shopping. Stores selling such specialty items as jewelry, furs, and so forth, usually find it more profitable to cluster together and the downtown is the prime location because of its superior accessibility to the metropolitan population (Jones, 1984).

Probably the most important of the recent changes in urban retail structure is the growth of planned shopping centres, which in Canada date from the early 1950's (Mayer, 1986). In metropolitan Toronto, for example, the first five centres which together covered a floor area of less than 200,000 square feet were opened in 1952. By 1971 the number of centres had increased to 313 with a total floor area of almost 17 million square feet. During the intervening period almost ninety percent of the net increase in Toronto's retail space was located in shopping centres which, accordingly expanded their share of total retail floorspace in the metropolitan area from 2.3 to 43.5 percent (Nader, 1975). Similar trends are evident in most Canadian cities which have grown significantly since 1950.

The planned centre with acres of parking space has decided advantages over the traditional shopping street. The

widespread ownership of refrigerators and freezers, the increasing availability of storable food, and ~~the~~ growing number of working wives have reduced the frequency of shopping trips and increased the number of purchases made during a single trip. The weekly shopping trip is typically made for the purchase of high volume, mass-merchandise items such as those sold in food, hardware and drug stores. For this type of shopping, dispersed stores are obviously less convenient than the shopping centres' agglomeration of complementary stores. Rising incomes have increased consumer expenditure on high quality goods and this has favoured shopping centres in general and the larger centres in particular (Nader, 1975). As mentioned the incidence of higher incomes among suburban as compared to central city residents has itself encouraged retail decentralization.

The debate over the benefits and costs of peripheral versus central city retail development is an on-going one occurring in all parts of the country. Listed among the positive impacts are increased convenience, comfort and enhanced availability of goods and services (McCabe, 1971). The fact that suburban malls are so successful stands as a testimony to these attributes. It has been argued, however, that these benefits accrue, in the main, to a specific sector of the population - those of the middle class, living in the suburbs, closest to these facilities. In many cases, however, suburban shopping centres have been blamed for the decline in retail sales and bankruptcies in the central

business districts and thus resulting in reduced services for those in the inner-city neighbourhoods - typically those of lower socio-economic status (Ircha, 1982).

Those opposed to shopping centre developments suggest that suburban malls result in a no gain situation. It has been argued that all gains to the mall are offset by losses in old shopping areas. Analysis has suggested that retail levels, property values and subsequent assessment values drop in the central core of cities (McKeever and Griffin, 1977). There is no question that the new peripheral shopping centre does add to the tax base, but over time as sales and assessment levels drop in other parts of the community, the net benefit to the municipality may not be as great as anticipated (Ircha, 1982).

In a similar vein, the new centre will provide retail employment - often for part-time staff at minimum wages. However, with the shift in customer patronage to the new centre, resulting in business decline in other parts of the community, these employment gains would be offset by employment losses. Muller (1978), in a study of a regional mall outside Burlington, Vermont, found that although the new centre would provide some 516 full-time equivalent positions, it would do so at a cost of 627 jobs in the downtown of Burlington. A net loss of 111 jobs was projected.

It is thus suggested that a shopping centre cannot

generate new business or create new buying power; it can only attract customers from existing businesses, namely those in the downtown. Put simply, a shopping mall can cause a redistribution of business outlets and consumer patronage, but it cannot create new customers (McKeever and Griffin, 1977).

2.3.5 URBAN RENEWAL

The widespread problems of core area decay have resulted in a broad range of measures being taken to curb these negative effects. Steps toward rejuvenation have been undertaken in almost every urban centre in Canada and have involved, although to varying degrees, the actions of a great many participants. Those involved include municipal, provincial and federal governments, development firms and of course the downtown merchants themselves.

As municipal affairs are generally held as a responsibility of the province, the federal government in Canada has had the least amount of direct involvement in renewal projects. Further, actions taken by the federal government with respect to renewal appear to concentrate on residential needs in the downtown. Little attention has been paid, to date, to the state of the downtown retail sector. In general terms, the federal government has followed a laissez-faire approach to retailing. Federal legislation and policy has tended to be oriented towards the protection of

consumers, through the regulation of production rather than directed towards the control of the retail sector (Wyckham and Stewart, 1972).

Provincial governments, faced more squarely with the mounting pressures from merchants are significantly more involved in the process of downtown rejuvenation. Ontario is generally acknowledged as being the leader in developing approaches to aiding ailing downtowns (Ircha, 1982). Various ministries, notably the Ministry of Citizenship and Culture, with its interest in preserving areas and buildings of historical, social or cultural value; the Ministry of Industry and Trade, with its mandate to assist ailing business interests, but more particularly the Ministry of Municipal Affairs, Community Renewal Branch has introduced a number of programs in recent years that have directed millions of dollars into urban renewal schemes.

Of the three levels of Canadian government, the most directly involved in urban renewal has traditionally been the Municipal Government. Its control of urban development consists of two successive stages: the adoption of an Official Plan and the exercise of regulatory powers. The Official Plan is a political document which formally states the communities' goals and objectives, as well as detailing the planning policies which are designed to achieve them. Nearly all municipal governments currently have Official Plans, in part because an approved Plan containing community

improvement policies is generally a prerequisite for the various provincially funded renewal programs.

Zoning by-laws are the most traditional and frequently applied regulatory power of the Municipal Government. Generally all areas within a Municipal Government's jurisdiction are given some type of zoning designation. In this way almost all aspects of development and land use can be controlled.

Of course in addition to these means of control, Municipal Governments are able to, and often do, guide the direction of development and speed its progress with financial assistance. This has taken the forms of both tax incentives in certain areas, the sale of municipally owned property at low costs and, of course, direct funding of renewal projects. In most renewal attempts, Municipal Governments have been major financial contributors.

An important move toward curbing core area deterioration in Ontario's downtowns occurred in 1970 with the passing of Provincial legislation allowing for the creation of "Business Improvement Areas". A Business Improvement Area (BIA) is essentially a self-help mechanism designed to assist local business and retail communities upgrade and promote their commercial and shopping districts (Section 217 of the Municipal Act). A BIA is a legal entity resulting from the submission of a petition to the municipal clerk which registers the desire for its formation by the majority of the businessmen within its proposed boundaries.

The presence of a BIA allows the municipal council to levy additional fees from all businesses within the area to be used, under the direction of the BIA board of management, in area improvements above and beyond what the municipality would normally be expected to undertake. As all businesses must contribute financially, their interest and involvement is greatly heightened. In addition to increased levels of physical improvements, the involvement of all businesses allows for more effective and highly co-ordinated promotion strategies geared at improving the image of the entire area rather than any one enterprise in particular. Since the passage of the enabling provincial legislation in 1970, close to 100 Business Improvement Areas have been formed (Holdsworth, 1985).

Until quite recently urban renewal projects focused their efforts on the most fundamental of physical improvements in an effort to upgrade the image of the area (Smith, 1972). Such undertakings have involved the cosmetic enhancement of commercial buildings, improvements in parking, the widening of sidewalks, the addition of benches, trees, fountains, decorative lighting and so forth.

An improved understanding of the evolving strengths and weaknesses of the downtown's position in the retail market, however, appears to have resulted in a shift in renewal approaches. The knowledge that retail strength of the CBD is derived not only from its spatial position in the

metropolitan market, but also from specific consumer groups who are drawn to the area for reasons of employment, business, entertainment and a need for specialized services (Smith, 1972) has led to more substantial development efforts geared to providing a retail environment more suited to current demand.

One of the earlier techniques which attempted significant change in the downtown area involved the development of pedestrian malls. The downtown pedestrian mall was pioneered in Canada on Sparks Street in Ottawa, a typical commercial street in 1960. The redevelopment has enjoyed considerable success. It has emerged as a prestigious location for both retail shops and offices and a favourite place of relaxation for workers, shoppers and tourists (Weiss, 1964).

Some cities, reluctant to redirect automobile traffic flows, have instead promoted pedestrian movements through their vertical separation. In Canada, the subterranean walkway system was pioneered in Montreal with the development of Place Ville Marie in 1961 and later adopted in Toronto. In both cases the underground corridors connect many major office complexes throughout the downtown core. Lined with a wide variety of shopping opportunities, these underground developments have been particularly effective in recapturing the retail spendings of the many white-collared employees working in the downtown core (Goodman, 1984).

Like Montreal and Toronto, Calgary has employed the

idea of vertically separating vehicular and pedestrian traffic, but rather than constructing underground tunnels, Calgary has developed an elevated walkway system. These "skyways" provide for free movement between major buildings in weatherproof walkways which cross over the city's streets (Nader, 1975).

Another scheme, requiring perhaps the greatest amount of redevelopment within the central business district, is the development of an enclosed shopping mall. The first North American example of such an endeavour occurred in Rochester, New York in 1962. Since that time such developments have been occurring with increasing frequency both in the United States and in Canada. Many planners and developers are suggesting that the development of these downtown malls will become a more and more popular means of downtown renewal in the future (Dawson, 1983). It is the downtown mall as a means of CBD revitalization to which this study now focuses its attention.

2.4 SHIFTS IN RETAIL OWNERSHIP

A dimension of change not yet discussed is the trends in ownership and control of retailing. Traditionally, retail functions were managed by small-scale, local enterprises, each highly specialized with respect to the type of merchandise sold. The latter part of the last century, however, saw the development of three important innovations

with respect to retail business structures. These included the multi-branch department store, the chain store and franchise retailing.

The first innovation resulting in an increase in the complexity of store organization and operation has come to be known as the department store. It represented the first significant delegation of responsibility in retail establishments. This delegation of control allowed for tremendous expansion both in terms of the range of goods sold and the volume of sales (Bucklin, 1972). Although the department store originated in Europe in the 1860's, increases in their number have been most pronounced in North America. This has been attributed largely to the extensive decentralization of department stores into the suburbs (Davies, 1976).

The second innovation in retail management occurred with the advent of the chain store. Starting slowly in the latter part of the last century attempts were being made to supply a large number of self-owned stores employing central buying as a means of cutting cost. Our present familiarity with this technique provides us with few quandaries about this practice, but it must be remembered that tremendous advances have been made in the past century with respect to the movement of goods and intra-store communications. In the early period these presented significant problems which could easily offset savings (Bucklin, 1972). Though starting

slowly, chain store operations soon boomed and today capture better than one third of the retail sales in Canada (Statistics Canada's Chain and Department Store data, 1984).

The third innovation in retail control represents something of a middle ground between the owner-operated enterprise and the externally controlled multiple store, this innovation being the franchise. Franchising is essentially a marketing technique used by companies to distribute products or services. The franchise supplies the product or service to the franchisee who in turn makes it available to the public.

Generally, the franchisor provides the franchisee with a total package, including trademarks, logos, standard designs for buildings, standard furniture and uniforms for employees, marketing plans, operating systems and so forth. The franchisor dictates how the business will be operated by the franchisee including pricing policies, standards of cleanliness, hours of operation, sources of supply, hiring and training practices, quality of service and so forth. In return the franchisee must usually pay an initial franchise fee and continuing fees on a royalty basis to the franchisor (Taylor, 1986).

Like the chain store and department store, franchising in North America began in the latter part of the the past century. Although the Singer Sewing Machine Company is generally acknowledged to be the first large well-known company to employ this marketing technique (Drew, 1970), in

its early years the vast majority of franchises were issued in the distribution of cars, automotive parts and gasoline. In the late 1950's, franchising began to grow rapidly, with fast food outlets becoming the dominant area of expansion. The last two decades have seen unprecedented growth in both the number of franchise operations and in the range of products and services offered by such enterprises (Taylor, 1986).

Despite the rapid growth of franchising, this business arrangement has made very few inroads into the "department store type merchandise" market. Areas of retail in which franchise enterprises have focused include gasoline service stations; currently this kind of franchise operation accounts for more than half of all franchised businesses. The second largest number of franchise operations are the automobile and truck dealers together with automotive parts and service. The third largest number of franchise operations are involved in fast food operations (Hackett, 1977).

Much of the franchise activity has occurred outside retailing and is concerned with services. These include equipment rentals, laundry and drycleaning services, hotels, motels and so forth (Hackett, 1977). As such, the impact of the franchise as a means of business structure has not had as great an effect on most types of retailing as one might have originally assumed.

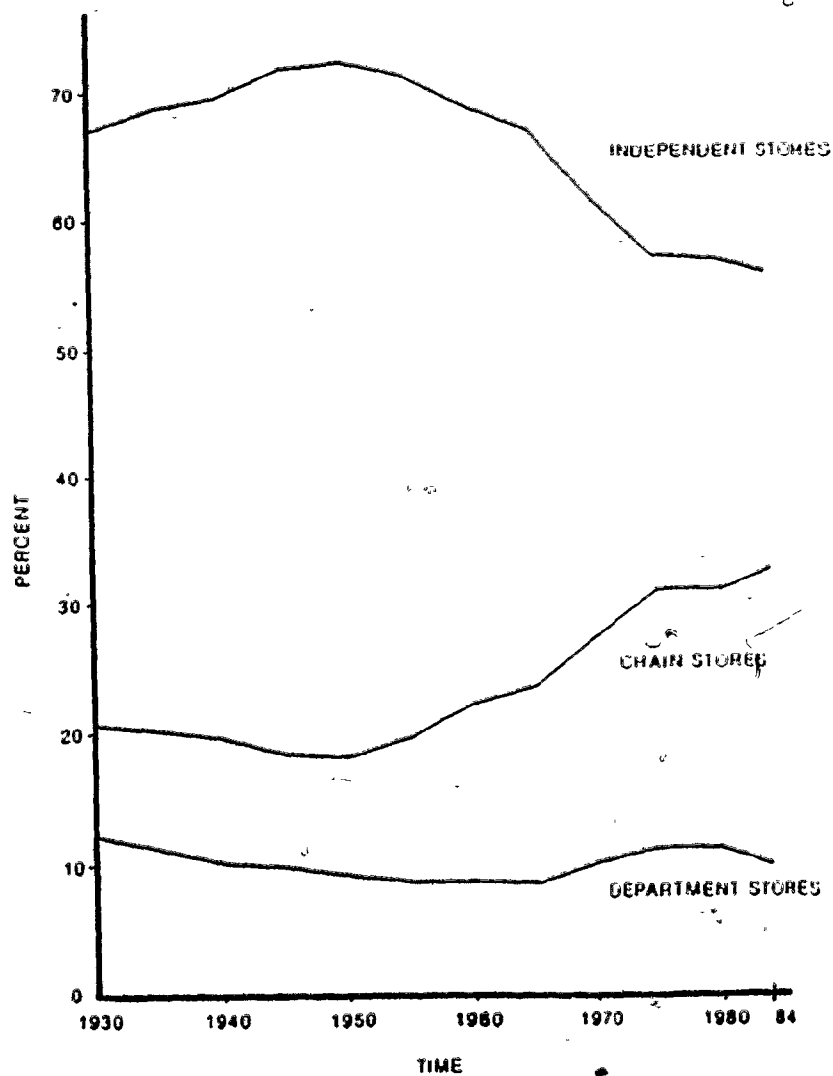
The advantages of economies of scale in multiple-store operations are derived primarily from savings in the marketing strategies applicable to many outlets. These "overhead" type costs include the investigation of potential retail store outlets, design of the facilities, optimal methods of display, product line and depth, promotion, development of staff services for personnel and accounting. Spread over many outlets, the cost per unit of these activities is markedly reduced.

Further advantages accrue to these business structures as a function of their size and cumulative purchasing power. Considerable discounts from manufacturers can be had through bulk purchases. Size also makes it possible for a group of retail stores to combine the wholesale and retail functions under one management. This enables further economies of scale and functional integration, which permits multiple enterprises to offer merchandise at prices below those of competing independent wholesalers and independent retailer operations (Honigman, 1985).

The historical changes that have taken place in the share of the retail market held by chain stores, department stores and independent stores over the past fifty years in Canada is illustrated in Figure 2.2. As this figure has been based on 1985 Statistics Canada figures, it is important to note that a "chain organization" is defined as an organization operating four or more retail outlets of the same kind of business under the same legal ownership. The

FIGURE 2.2

SALES OF DEPARTMENT STORES, CHAIN STORES AND
INDEPENDENT STORES, AS A PERCENTAGE OF TOTAL
RETAIL TRADE IN CANADA - 1930 TO 1984 -



Source: Statistics Canada (1984) Retail Chain and Department Stores,
Catalogue #63-210.

exception to this is the "department store" organization, which has been separated from chain organizations even though they may meet the criteria of four or more retail stores. Franchised stores are considered as independent operations unless they can meet the conditions of the chain definition. As franchised operations are generally legally owned by the operator, however, those qualifying as chains would be very few indeed.

Although the largest share of the market continues to be held by the independent store sector with sales in 1984 in excess of 66 billion dollars, compared to Chain store sales of 38.8 billion dollars and department store sales of 11.6 billion dollars, their percentage share of the retail market has decreased dramatically from 72.5 in 1950 to their present level of 56.8 (Statistics Canada's Retail Chain and Department Stores data, 1984). The chain store sector, on the other hand, has increased its share of the retail market from a 1950 low of 18.2 percent to 33.3 percent in 1984. Chain store sales as a percentage of total retail sales have remained relatively constant between 30 and 33 percent, since the mid-seventies. Similarly, the market share of the total retail trade by department store organizations has held steady at approximately 11 percent (Statistics Canada's Chain and Department Store data, 1984).

Corporate chain and major department stores have always been closely linked with the development of shopping

centres. It is interesting to note that the levelling of increases in the chain store market share coincides closely with a decline in shopping mall construction, as seen in Figure 2.3.

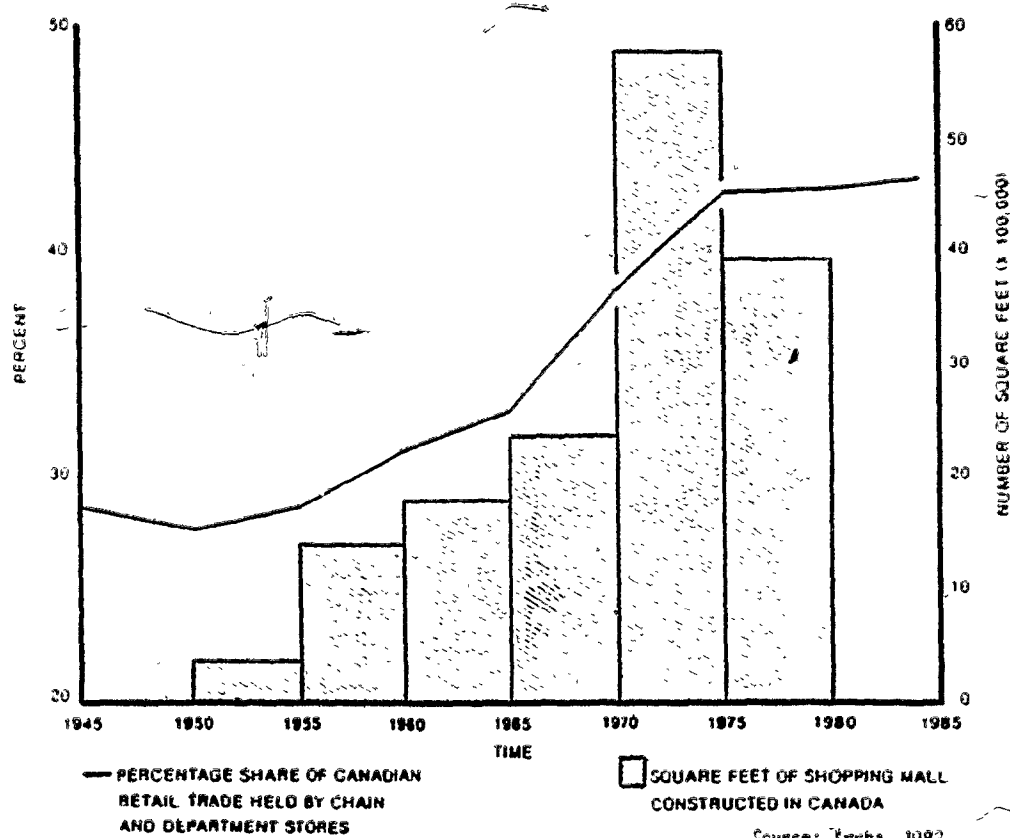
The apparent dominance of major retail corporations over small independently operated enterprises within shopping malls is by no means coincidental. A "symbiotic" relationship appears to exist between major chain and department store corporations and development firms - the usual builders and owners of shopping malls - which, it has been argued, exists at the expense of local merchants.

The advantages offered by major chain and department store organizations to the developer often include an excellent credit rating and a willingness to commit themselves for tenancy in a facility which may not be completed for several years. This makes the job of obtaining financing for the project much easier for the developer. The commitment on the part of a large department store is particularly beneficial to the developer as it ensures the presence of an anchor needed to successfully move shoppers through the mall (Ircha, 1982).

Fully aware of the benefits accruing to the developer by a commitment of their presence, major department and chain store organizations are able to negotiate for prime locations within the facility, and in some instances, the power to exclude from the shopping centre certain types of competitors (Ircha, 1982).

FIGURE 2.3

CHANGES IN THE MARKET SHARE HELD BY CHAIN AND DEPARTMENT STORES
AND THE AMOUNT OF SHOPPING MALL CONSTRUCTION IN CANADA



Source: Tricha, 1982.

Source: Statistics Canada (1984) Retail Chain and Department Stores, Catalogue #63-210.

The dominant position of the anchors often enables them to obtain even further benefits such as reduced rents. The effect of these differential levels in rent is that the anchors and national retail chains are carried, to an extent, by the independent retailers who manage to obtain selling space within the shopping centre.

It is therefore evident that the development of suburban shopping malls has had a severe impact on small independent merchants not only by drawing consumer dollars away from the downtowns; the traditional area of local merchant enterprise, but also by curtailing their activities in the suburban regions where retail growth is occurring most rapidly.

2.5 HYPOTHESES

It is suggested in general terms, that the development of a downtown mall does not represent an appropriate means of retail renewal. Specifically, the following hypotheses are advanced and tested in the case study of the CBD in Thunder Bay North.

The diffusion of retailing resulting from the many factors discussed, associated with the process of urban sprawl in North America, leads to the first hypothesis, this being that the absolute number of retail outlets has declined in recent decades in the CBD of Thunder Bay North.

Second, with a knowledge of the advantages of planned

shopping malls over traditional shopping environments it is suggested that consumer activities on the street will have been reduced following the development of the downtown mall. It is suggested that any increases in the level of consumer activity will only result in benefits to the mall. It is, therefore, hypothesized that there has been little or no net gain in the number of retail outlets in the central business district resulting from the construction of the Keskus mall, for it is suspected that much of the growth from within the mall has been at the expense of the merchants on the surrounding shopping streets.

Finally, the third hypothesis is drawn from a knowledge of general trends in chain and department store growth, a knowledge of the relationships that exist between mall developers and large chain organizations, together with a knowledge of the economic advantages afforded these chains. It is hypothesized that over time, independent owner-operated businesses have declined in number while multi-branch type enterprises have experienced growth in the CBD and it is suggested that this evolution in business structure has accelerated after the construction of Keskus.

2.6 SUMMARY

The events of recent decades, including shifts of population and the decentralization of industry and employment, have had impacts on retailing that are two fold.

First, there has been decline in number of retail functions in the downtown. Whether there has been a decline in absolute terms is not fully known as specific quantitative information is scarce. Disproportionate growth in suburban areas is, however, unquestionable.

Second, in addition to the spatial changes in retailing, there has been rapid evolution in the nature of retail ownership and control. The trend toward large retail enterprises with ownership and control external to the host community is apparent. This trend can be linked to the spatial changes in retailing and notably to the development of suburban malls.

It is important to note that a growing number of externally controlled retail establishments may serve to undermine the efforts of a Business Improvement Area (BIA). Chain and department store managers have little authority when compared to the local merchants and thus may not be able to allow the stores they manage to participate in some of the BIA's endeavours, unless supported by the parent organization.

Methods of retail renewal undertaken to date, though they may have been successful to varying degrees in curbing deterioration, do not appear to favour local enterprise. With what is known about current trends in retail ownership patterns and the relationship between these patterns and the development of suburban malls, the appropriateness of developing a mall in the downtown comes into question.

Spatial changes in retail activities have not reduced the extent to which the CBD is central to the metropolitan population. These changes have, however, resulted in a dramatic increase in the number of intervening shopping opportunities between the CBD and the bulk of the consumers. It is the challenge of those involved in retail renewal to overcome the problems presented by the development of these intervening opportunities by increasing the attractiveness of the CBD. Many of the reasons for downtown retail renewal may be undermined, however, when the methods employed simply lead to the addition of externally controlled multi-branch, chain and department stores rather than assistance to the local independent merchants in existence.

It has been the intent of this chapter to present an overview of related literature, outlining the direction and nature of studies undertaken to date. A model describing changes in retailing in the CBD, in response to the introduction of a downtown mall, has been advanced and a number of possible explanatory factors have been discussed. This discussion has lead to the development of three hypotheses which are tested in the CBD in Thunder Bay North.

3.0 THE CASE STUDY DESIGN

3.1 INTRODUCTION

The city of Thunder Bay is the largest urban community in Northwestern Ontario and the tenth largest community in the province (City of Thunder Bay, 1982) with a municipal population of 112,333 in 1985 (City of Thunder Bay Planning Department). A unique characteristic of Thunder Bay, when compared to other Canadian communities of similar size, is its relative isolation. The nearest major centres in Canada are Winnipeg and Toronto, which are 735 and 1,459 kilometers away respectively. The average distance between major urban centres in Canada is 232 kilometers (Papadopoulos and McCutcheon, 1979).

This isolation factor has proven to be an asset in this and other retail studies. The lack of competing facilities and the concentrated nature of the population within the immediate area makes the task of identifying retail opportunities easier than it would be in other centres where substantial trade area overlap is common (City of Thunder Bay, 1982). Another advantage of this isolation, from the perspective of the researcher, lies in the fact that changes in the local retail environment are more the result of local circumstances. The problems associated with assessing the impacts of changes in neighbouring communities, such as the development of a major shopping centre, are effectively

negated.

An aspect of the city which makes it more difficult to examine lies in the fact that Thunder Bay is the result of the amalgamation of the cities of Port Arthur and Fort William as well as portions of a number of surrounding Townships. As such the city's population and retail structures have developed around two downtown focal points rather than one. Thus it follows that the spatial patterns which result are more like those displayed by two neighbouring cities slowly merging as one.

It is the central business district of Thunder Bay North, formally the CBD of Port Arthur, which receives closest scrutiny in this case study. This central business district represents an interesting sub-area for examination within the city. Though it does not possess the enormous office towers common in central business districts of larger centres, it is an active and reasonably well defined area.

The CBD of Thunder Bay North does possess a number of site factors which favor its retail environment. Immediately to the west of the downtown lies the recently designated Waverley Park Heritage Conservation District, the largest Heritage Conservation District in Ontario (DeLcan, 1986). This district, centered around Waverley Park, is an area of considerable historic and architectural value and the site of considerable activity. In addition to being a place favoured by many local residents for evening walks, the Waverley Park

Heritage Conservation District is the location of frequent concerts, open air markets and other activities. The high degree of attention paid to this area's upkeep and maintenance, together with its location has made the district an attractive entrance to the central business district for those travelling Red River Road, a notable artery within the city (see Figure 3.1).

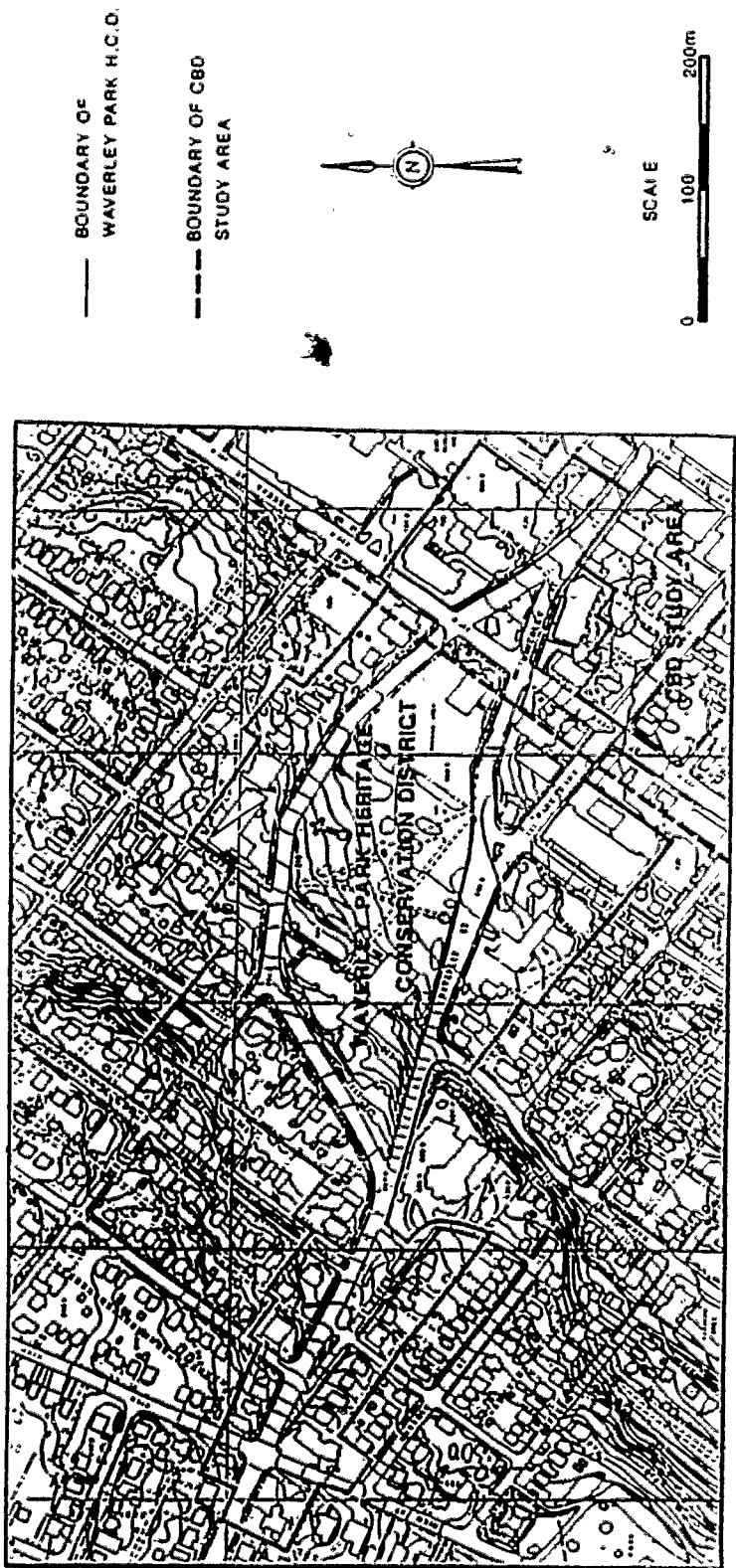
To the east, the downtown of Thunder Bay North is bounded by Lake Superior and the recently developed Marina Park^U (see Figure 3.2). This is one of the few areas where city residents are able to access the lake within the municipality because most of the shore line has been devoted to industry related uses. Like the Heritage Conservation District, the Marina Park is the location of a considerable amount of day-to-day pedestrian traffic as well as many social and cultural events. The marina provides docks and moorings for over 150 boats that use the facility in the summer months. Being the largest marina along the North Shore of Superior, it is also the destination of a great many water-borne tourists - a consumer group easily captured by the bordering central business district.

Unlike a great many downtown areas encircled by a zone of deterioration, the central business district in Thunder Bay North is fortunate to be located between two very attractive park areas. There is little question that they have both proven to be an asset to the downtown.

The retail environment of the central business district

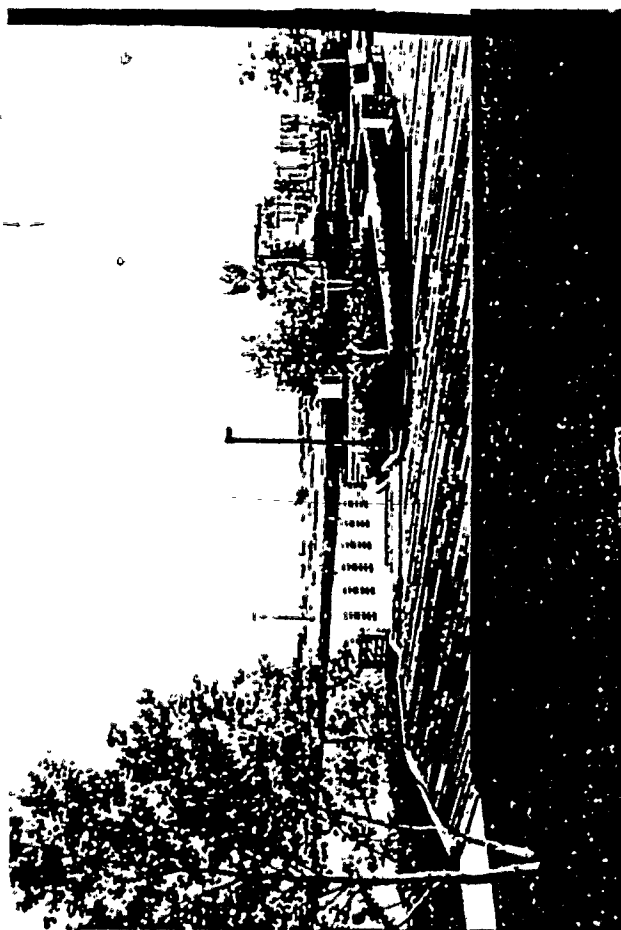
FIGURE 3.1

THE LOCATION OF THE WAVERLEY PARK HERITAGE CONSERVATION DISTRICT
WITH RESPECT TO THE CBD OF THUNDER BAY NORTH



After: DeLcan Consulting Engineers and Planners, 1986

FIGURE 3.2

VIEWS OF THE MARINA PARK
TO THE EAST OF THE CBD

of Thunder Bay North, however, is the result of a great many factors. Events which can be attributed to its decline are numerous and include the development of the Water Street extension which, in the late 1970's, allowed for the rerouting of through traffic around the CBD and the development of many suburban malls which now provide strong competition for consumer dollars. The amalgamation of the cities of Port Arthur and Fort William together with the decision to close the old City Hall in the CBD of Thunder Bay North and to locate the new City Hall in the downtown of Thunder Bay South had considerable impact on the downtown because of the moving of City Hall employees and the market they represented (Mauro, 1981).

In an attempt to stabilize and curb deterioration in the central business district a number of actions have been taken. The earliest attempts at urban renewal occurred between mid 1960's and early 1970's. These efforts essentially involved the demolition and removal of several deteriorating buildings on the periphery of the downtown and are, today, largely held to have been ineffective. Redevelopment did not occur to the extent expected and several large lots remain vacant.

More recent steps have been taken by the recently organized Business Improvement Area (BIA). Formed in 1980, the BIA has had a local consulting firm develop a ² Downtown Improvements Plan, the recommendations of which are

gradually being implemented. The improvements made by the BIA thus far include the widening of sidewalks with interlocking paving stones, the installation of benches and trees, and the improvement of lighting in the area. The development of the BIA has also allowed for co-ordinated promotions which are designed to attract shoppers to the downtown in general rather than any one store in particular. Since the formation of the Business Improvement Area, there have been considerable improvements in the CBD both in terms of the physical environment as well as its image, in general, among city residents.

The most radical step taken, however, toward the renewal of the downtown has unquestionably been the development of the Keskus Mall. As has been discussed, it is the nature of the impacts this mall has had on the CBD of Thunder Bay North that forms the focus of this study.

3.2 METHOD AND DATA BASE

In any spatial analysis two problems must initially be addressed. These are the delimitation of the study area and the means of data collection. The following is a brief discussion of the approaches employed to address these tasks.

3.2.1 STUDY AREA DELIMINATION

As this thesis focuses its attention on the change of retail functions within a central business district, the

first concern is to define that area which most accurately approximates the CBD of Thunder Bay North.

A considerable amount of work has been done in an effort to develop a system by which downtown areas can be defined. The goal is the development of a realistically achievable method that can be applied to any city and thus facilitate reliable comparisons. Methods attempted to date range dramatically in the nature of their approach and have been based on a wide variety of determinants. These have included volume of trade, building heights, population distributions, patterns of employment, traffic flows, pedestrian counts and land values, just to name a few. A notable study by Murphy (1972) discusses these and other methods in some depth.

Each system unquestionably has its merits but, against each system, criticisms have also been levelled (Carter, 1981). Due, in part to the various weaknesses inherent in each approach, but also to the tremendous amounts of data collection and time that would be required to employ such methods, the study area within the downtown of Thunder Bay North is rather subjectively defined.

The Official Plan for the City of Thunder Bay (1984) has defined areas as the CBD's of both Thunder Bay North and South. According to the Official Plan it is intended that these two central areas be the main concentrations of the commercial and retail activities within the city. They are

to function as places of symbolic and physical interest for all residents and visitors to the city and as focal points for entertainment, social, and cultural pursuits, (City of Thunder Bay O.P. section 4.1, 1984). However, as lands designated as Central Areas include not only the downtown commercial cores, but also the adjacent areas considered necessary for expansion of the central area functions (City of Thunder Bay O.P. section 4.3.1), an area within that which has been zoned as the CBD would be found to be a more appropriate study area.

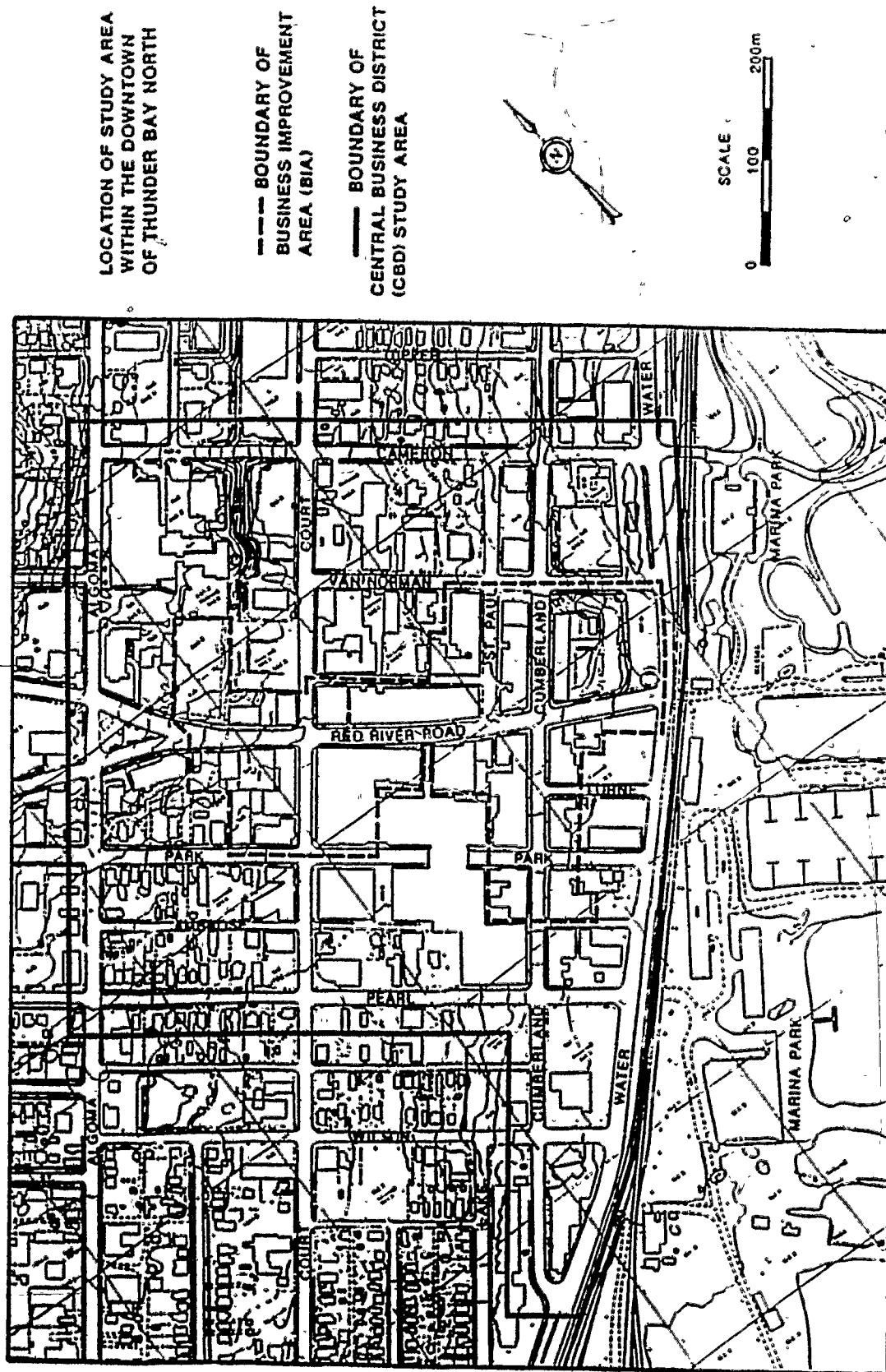
Consideration is also given to the fact that in a previous study of consumer behaviour in the area (Smith, 1984), consumer activity was found to be at a peak at the corners of Red River Road and Court Street and Red River Road and Cumberland Street. Consumer movements appeared to decline sharply with distance from these points.

The Keskus mall is integral to this study and is centrally located within the study area. The CBD borders are also drawn such that the entire Business Improvement Area (BIA) falls within its boundaries.

Most importantly, however, the boundaries for this study area are drawn with a reasonable knowledge of the retail activities present in and around the area and the attempt is made to achieve as close to a homogeneous "central business" area as possible. The boundaries decided upon to limit the study area are shown in Figure 3.3.

The entire city, as defined by its present city limits,

FIGURE 3.3



is examined as a secondary study area. This is to allow changes noted in the downtown to be seen from a more complete perspective.

3.2.2 DATA BASE

The first step in the data collection involves the development of inventories of all "department - store - type merchandise" (DSTM) retail outlets that existed in 1985 and each earlier year, back to and including 1965. For the purposes of this study DSTM is defined as general retail merchandise of the type and range normally available in a full line department store and includes those types of merchandise listed as DSTM in Statistics Canada's Retail Chain and Department Stores information. The time period of 1965 to 1985 is chosen as it presents information for ten years prior to and ten years after the construction of the Keskus mall. These listings, developed from ~~Henderson's~~ Directories and checked against Thunder Bay telephone books of the day, provide information regarding the name of establishments and their location.

Information regarding ownership is much more difficult to collect. No single source exists, or can be assessed, that would provide this data. Though Statistics Canada and various other sources of data listings are of assistance, general knowledge and the knowledge of local merchants and

other businessmen in the area is relied upon to some extent.

So as to work from a point of reference it was determined that changes in the downtown should be compared to changes in the city as a whole. Therefore, in addition to information regarding the primary study area of the downtown, data is also collected for the entire city of Thunder Bay for the years 1965 and 1985. Again, Hendersons Directories are used to develop the listings by name and location of all DSTM stores in the city. As with the CBD data, interviews with local businessmen were required to identify the nature of ownership of each store. Due to the number of retail enterprises present and the lack of available records, this phase of the data collection required more than 300 contacts with businessmen within the community to ensure as high a degree of accuracy as possible.

4.0 OBSERVATIONS AND ANALYSIS

4.1 CITY WIDE FINDINGS

As the location and growth of retail enterprise is closely linked to the location and growth of consumers, a brief examination of the city's population is warranted. It would be most convenient if Statistics Canada information were available for the years 1965 and 1985, as these are the two years for which city wide retail data were collected. Unfortunately, Statistics Canada data is not available for either of these years. As such, Statistics Canada's estimates of populations by census tracts for 1966 have been used along with 1985 population totals by municipal assessment polls, provided by the City of Thunder Bay's Planning Department. Totals by assessment polls have been translated as closely as possible into totals by census tracts so that comparisons can be made.

The total population of the city of Thunder Bay has increased very little, from 104,539 in 1966 to 112,333 in 1985, an increase of less than eight percent. As evident in Table 4.1 and Figure 4.1, population densities have been and continue to be greatest in census tracts bordering the two downtown areas within the city (A map showing census tract boundaries appears as Appendix #1). The Port Arthur/Fort William split is still clearly evident with respect to population densities.

TABLE 4.1

POPULATION FIGURES BY CENSUS TRACT FOR THUNDER BAY
- 1966 AND 1985 -

CENSUS	TRACT	POPULATION		POPULATION/KM ²		PERCENT CHANGE
TRACT	AREA (km ²)	in 1966	in 1985	in 1966	in 1985	
1	10.01	2,644	1,812	166	113	-32
2	1.45	5,364	3,887	3,699	2,681	-28
3	5.00	7,490	6,270	1,498	1,254	-16
4	2.41	5,618	4,564	2,331	1,894	-19
5	1.84	6,081	4,679	3,305	2,543	-23
6	0.47	1,197	945	2,547	2,011	-21
7	1.45	6,906	5,674	4,763	3,913	-18
8	1.92	5,508	5,603	2,869	2,918	+ 3
9	2.98	602	9,164	202	3,075	+1,422
10	7.14	7,051	5,973	988	837	-15
11	8.08	4,549	7,833	563	969	+72
12	1.09	1,993	3,267	1,828	2,997	+64
13	1.17	5,183	3,940	4,430	3,368	-24
14	1.45	6,171	4,299	4,256	2,965	-30
15	1.15	4,120	3,177	3,583	2,763	-22
16	1.27	4,845	4,770	3,815	3,756	-98
17	1.68	3,215	3,158	1,914	1,880	- 2
18	3.21	6,034	5,782	1,880	1,801	- 4
19	2.38	4,415	3,512	1,855	1,480	-20
20	1.53	1,595	716	1,042	468	-55
21	0.96	5,883	5,202	615	544	-12
22	165.76	4,291	11,958	26	72	+179
23	88.42	3,764	6,138	43	69	+53

1966 data Source: Statistics Canada (1971) Census of Canada, Catalogue #95-220
 1985 data Source: Thunder Bay Planning Department (1985) Municipal Assessment
 Poll Data.

FIGURE 4.1

POPULATION DENSITIES (EXPRESSED AS POPULATION/KM²) IN THE CITY OF THUNDER BAY
FOR THE YEARS 1966 AND 1985



Despite only modest growth rates experienced in the city's population, considerable change has occurred in the populations of census tracts. Census tracts within the city have lost as much as 55% of their resident populations while other tracts have gained by as much as 1,422% from 1966 to 1985.

As shown in Figure 4.2, the majority of census tracts have experienced decline. These tracts are generally older areas of the city and those in and around the downtown areas. A certain degree of growth has occurred in the inter-city area between the two traditional downtown areas but the greatest amount of growth, perhaps not surprisingly, has occurred in the outskirts of the city.

Despite the slow growth of the population, the number of DSTM retail stores has close to doubled in the past two decades, increasing from 273 in 1965 to 514 by 1985, an increase of more than 88% (see Table 4.2). Displaying a somewhat similar pattern to population change, retailing has been and remains concentrated in the two downtown areas; most notably the downtown of Thunder Bay North (see Figure 4.3). The rate of growth in the number of retail establishments in these two downtowns has been significant. In census tracts 6, 7, 14, and 15, the four tracts in which the downtowns are located, the number of DSTM retail establishments has increased by more than 30% from 1965 to 1985.

Like the population, a considerable amount of growth

FIGURE 4.2

**POPULATION CHANGE IN THUNDER BAY FROM 1966 TO 1985
(EXPRESSED AS PERCENT CHANGE)**

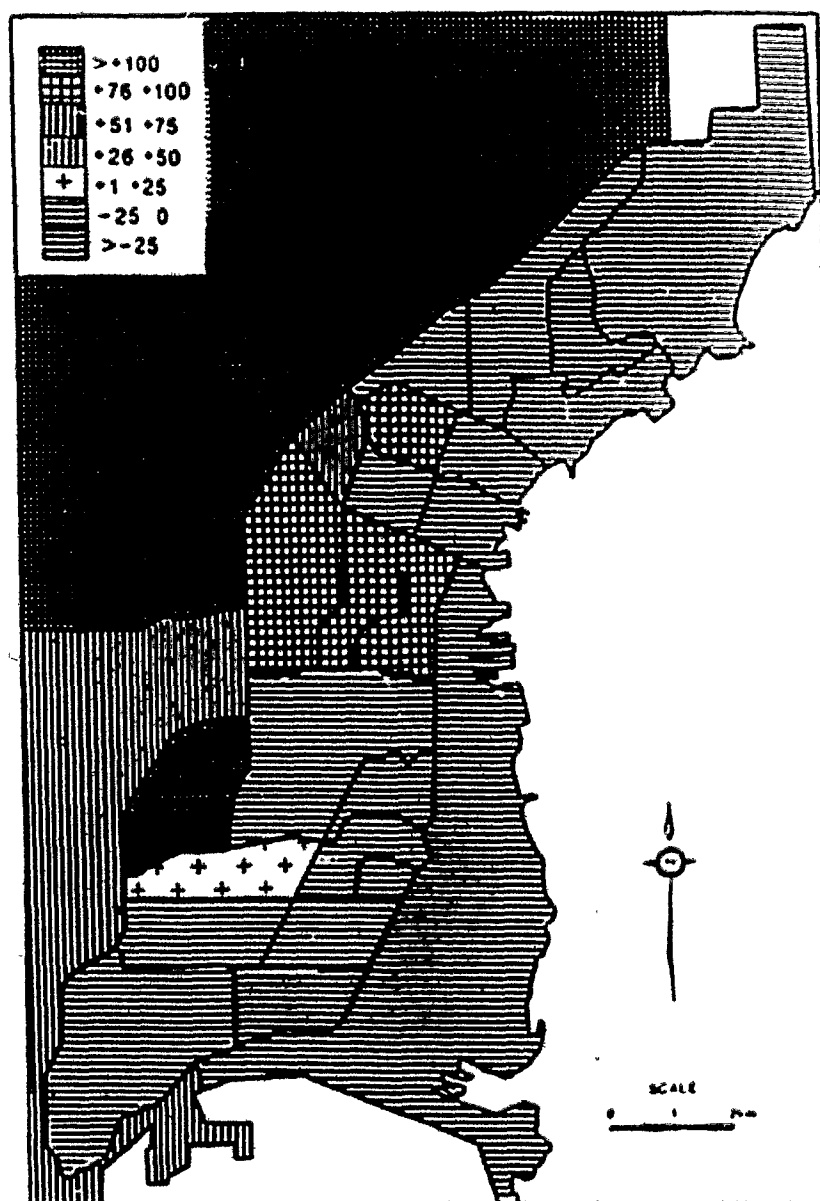


TABLE 4.2

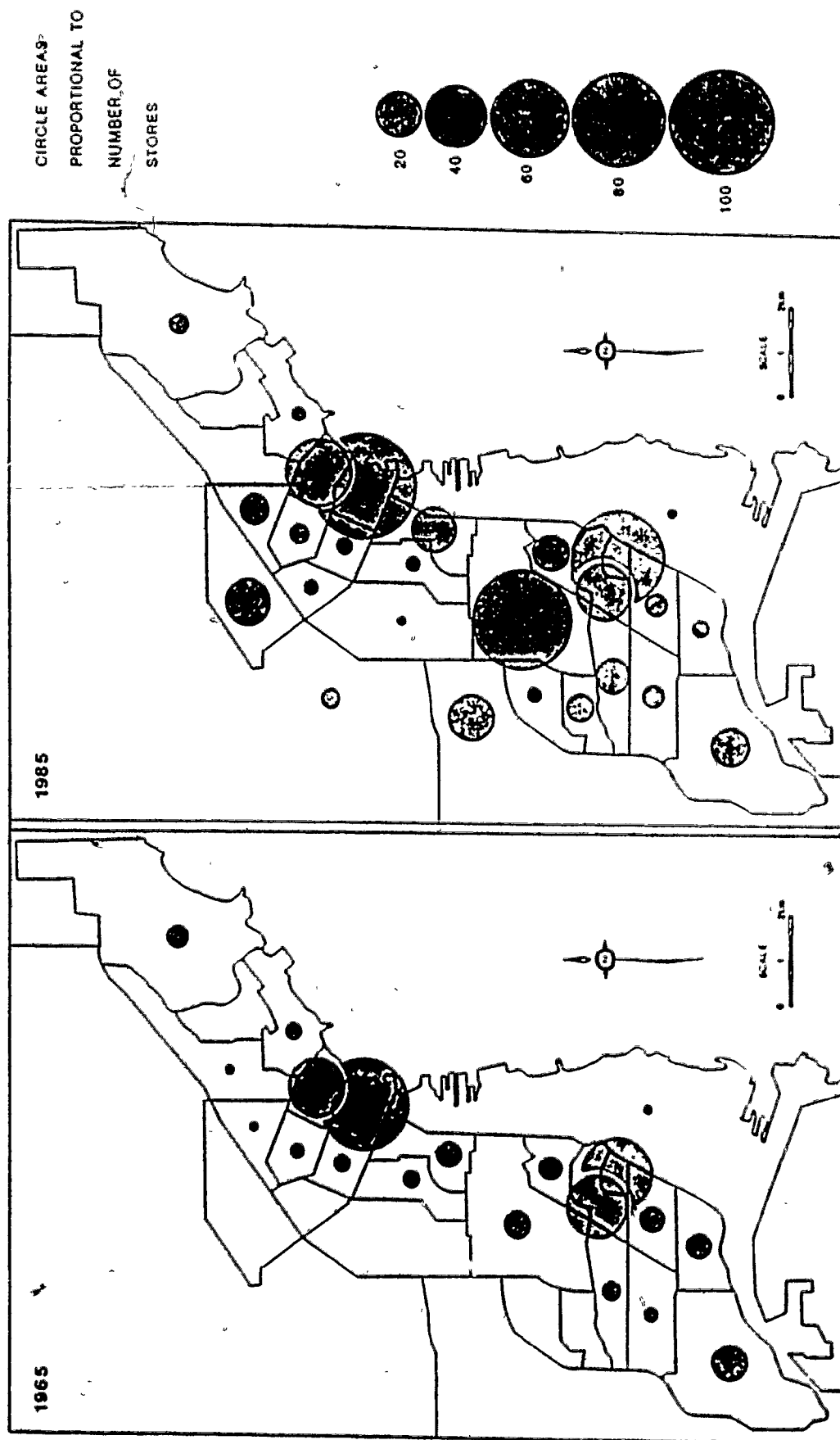
CHAIN, DEPARTMENT AND INDEPENDENT OSTM STORES BY CENSUS TRACT

CENSUS TRACT	TOTAL	TOTAL	INDEPENDENTS		DEPARTMENT AND CHAINS	
	in 1985	in 1985	in 1985	in 1985	in 1985	in 1985
1	1	1	1	1	-	-
2	7	3	7	3	-	-
3	14	15	14	14	-	1
4	2	5	2	3	-	2
5	7	5	6	3	1	2
6	52	81	39	63	13	18
7	36	29	33	28	3	1
8	4	12	4	12	-	-
9.01	-	0	-	5	-	3
9.02	-	2	-	1	-	3
10.01	8	93	2	48	6	45
10.02	5	12	5	12	-	-
11.01	6	22	6	19	-	3
11.02	3	2	3	-	-	2
11.03	-	1	-	1	-	-
12	-	2	-	1	-	1
13	3	3	3	3	-	-
14	80	107	71	77	9	30
15	33	45	26	39	7	6
16	2	4	2	4	-	-
17	1	9	1	8	-	1
18	1	-	1	-	-	-
19	3	2	3	2	-	-
20	-	-	-	-	-	-
21	5	4	5	4	-	-
22.01	-	22	-	13	-	9
22.02	-	4	-	1	-	3
23	-	21	-	11	-	10
TOTALS	273	514	234	376	39	138

Source: Figures compiled from Henderson City Directories

FIGURE 4.3

TOTAL NUMBER OF DSTM STORES IN THUNDER BAY BY CENSUS TRACT FOR THE YEARS 1965 AND 1985



has occurred in what could be termed the suburban areas. Discounting the downtown census tracts and inter-city census tracts between them, DSTM retail stores in the surrounding areas have increased by 146%, a substantial increase and notably more than the downtown areas.

The census tracts between the two downtown cores, however, display a rate of growth far in excess of either the downtown tracts or the surrounding suburban areas. Here, the number of DSTM stores have grown from 1965 to 1985 by an impressive 486%.

It is clearly evident that although the downtown areas continue to experience growth with respect to the number of retail establishments present, the rate of this growth is greatly exceeded in other parts of the city. The downtown of Thunder Bay North continues to possess the largest number of DSTM retail establishments. The growth within the inter-city area, however, has been so rapid that it now possesses a greater number of stores than the downtown area of Thunder Bay South (though it has experienced growth in absolute terms). Growth in the number of DSTM enterprises in the "suburban" areas of the city has been considerable, and as mentioned, has been significantly more than in the downtown areas. The number of stores in these areas, however, remain fewer than in either downtown or the inter-city area.

It can be seen that despite growth in both downtown areas their percentage share of the retail market has

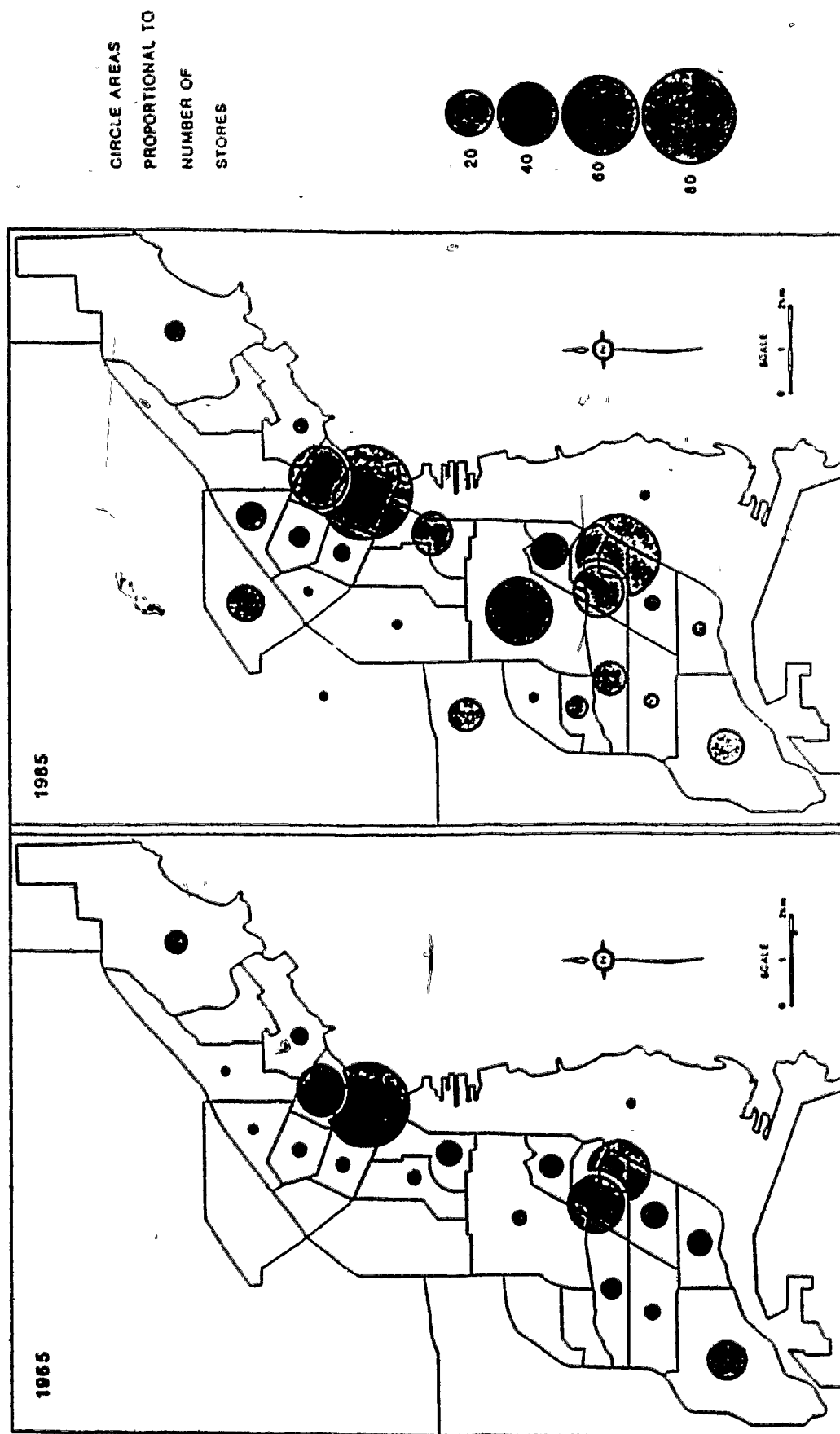
rapidly diminished with the bulk of this loss resulting from growth in the inter-city area. However, in addition to the changing total number of DSTM establishments present in the various census tracts the nature of ownership of these stores is of particular interest.

The number of locally owned DSTM stores have increased from 1965 to 1985 by more than 60% in the city as a whole. As evident in Figure 4.4, these enterprises, traditionally highly concentrated in the downtown areas have, over time, become somewhat decentralized. Considerable growth in the number of local independents has occurred in most areas of the city, with the most dramatic increase occurring in the inter-city area. Despite the decentralization of locally owned retail outlets away from the downtown areas, and their slower rates of total growth, these areas still possess the greatest absolute number of local stores by far.

Chain stores in the city of Thunder Bay have become even more decentralized, over time, than locally owned DSTM enterprises. In 1965 the chain stores were quite tightly clustered around the downtowns. By 1985, although they had increased in number quite dramatically in the downtown areas, their growth in relative terms had been substantially greater in almost all other parts of the city. The suburban growth of retail chains has been very significant. In the inter-city area, however, growth in the number of chain stores has been so dramatic that it is now this area, rather than the downtown areas, in which the greatest number of

FIGURE 4.4

NUMBER OF INDEPENDENT DSTM STORES IN THUNDER BAY BY CENSUS TRACT FOR THE YEARS 1965 AND 1985



chain stores are present. (see Figure 4.5)

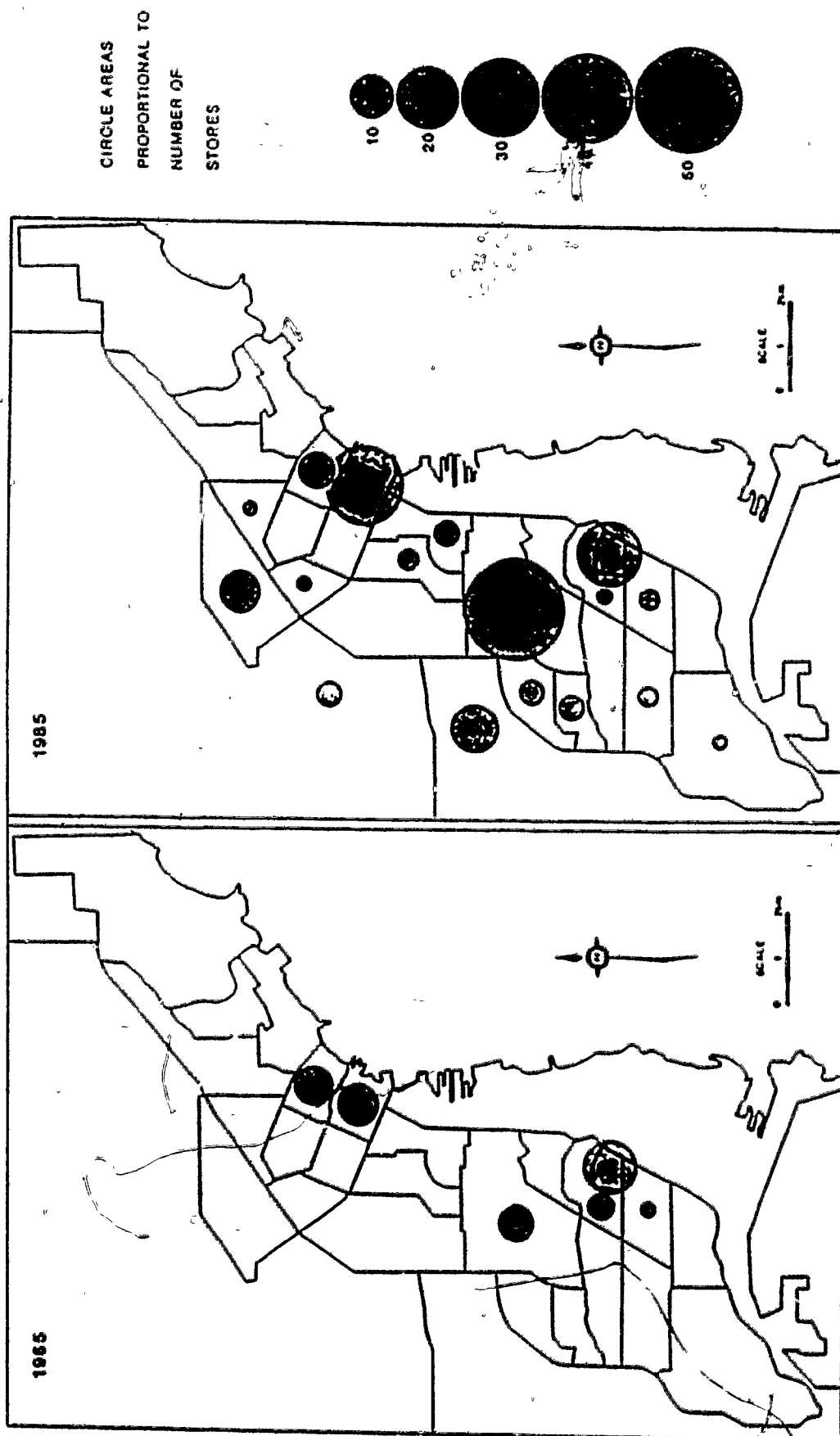
4.1.1 CITY WIDE RETAIL SUMMARY

The city of Thunder Bay has experienced considerable growth in the number of DSTM retail outlets. Of these outlets, those locally owned have increased in number from 234 to 376; a growth of more than 60%. The number of DSTM chain stores has increased from 39 in 1965 to 138 in 1985, an increase of more than 253%. Although the increases both in number of chain stores and locally owned DSTM retail stores has been great, the discrepancy in their respective growth rates has resulted in a relative decline in the number of locally owned stores, from 85% to 73% of all DSTM stores. A relative increase in the number of chain stores, from 14% to 26% of all DSTM stores has occurred in the city from 1965 to 1985.

Typical of many Canadian cities, growth in the number of retail establishments in the suburban areas was considerable. This growth has been shared by both local independent stores but, more notably, by the increasing number of non-locally based chain stores in these areas. Located between the two most densely populated areas, the inter-city area has experienced the highest degree of growth, in this area, while the number of locally owned DSTM stores rise, the most dramatic increase, by far has been in

FIGURE 4.5

NUMBER OF DEPARTMENT AND DSTM CHAIN STORES IN THUNDER BAY BY CENSUS TRACT FOR THE YEARS 1965 AND 1985



the number of chain stores.

The diffusion away from the two downtown areas can be attributed ~~largely~~ to the development of shopping malls (see Figure 4.6). With what is known about the relationships that exist between shopping malls and chain stores it is also not surprising to note the extent to which the diffusion of chain stores has been so great.

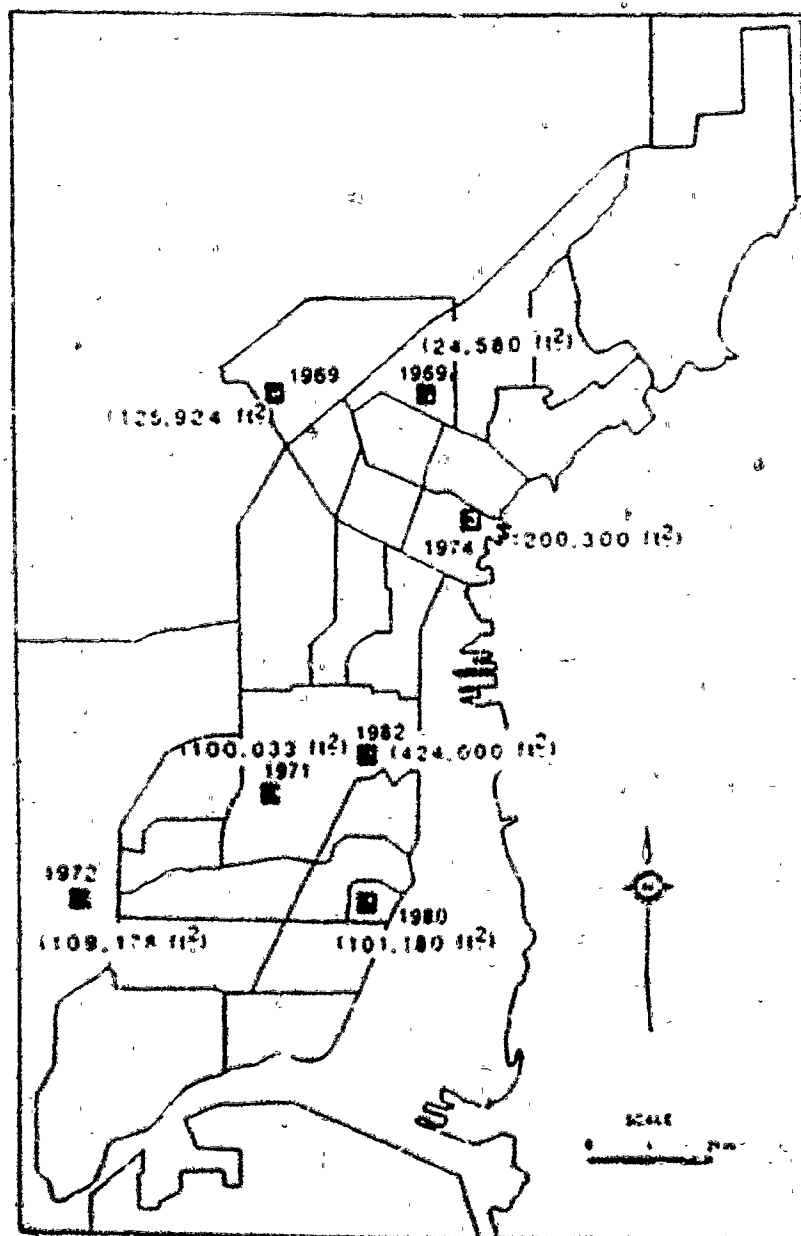
Though now closely rivaled by the rapid developments in the inter-city area, the downtown areas appear to have remained as the major retail centres. In relative terms, however, a decline is clearly evident in the total number of DSTM stores, in both the north and the south downtown areas of Thunder Bay.

4.2 CBD FINDINGS

Central to this study of retail change in the CBD of Thunder Bay North is the development of the Keskus Mall. The mall opened in 1975 and initially possessed 22 retail stores, 14 of which were chain stores and eight which were locally owned. Growth in the number of stores in the Keskus Mall was steady and rapid through to 1981. By this time the mall hosted 44 stores, 16 locally owned and 28 chain stores. Since this time a levelling off in the number of stores and a slight decline by two to 42 stores has occurred. Rather than being the result of a lack of space, as vacancies still exist on the lower levels at the south end of the mall, this

FIGURE 4.6

**LOCATIONS OF SHOPPING MALLS IN THUNDER BAY,
THE YEAR OF THEIR OPENING AND THE SQUARE
FEET OF DSTM RETAIL SPACE IN EACH**



Source: City of Thunder Bay, 1982.

recent lack of growth can be attributed to the opening of the large Inter-city Shopping Centre which has served to redirect retail growth notably.

As expected, since its opening, the Keskus Mall has been dominated by chain stores. In 1975, chains made up 63% of all retail stores in the mall. By 1985 chain stores accounted for close to 70% (see Figure 4.7).

The patterns of growth experienced by the Keskus Mall are much as expected. It was, in part, due to this rapid growth and dominance by chain stores that a negative impact on the surrounding shopping streets was hypothesized.

When viewed in relative terms, the number of DSTM stores located on the traditional shopping streets as a percentage of all stores in the CBD study area has declined noticeably. As shown in Table 4.3, the percentage fell from 100 to 75.3 directly after the opening of the mall. From 1975 the number of stores on the street relative to the total number in the CBD continued to decline to a low of 60.4% in 1983.

This relative decline is not truly indicative of a negative impact of Keskus, however, for it only points out that rates of growth in the number of DSTM stores has been greater in the mall than on the surrounding streets. Moreover, a growth of only one store inside the mall against constant numbers outside would serve to decrease the relative share.

FIGURE 4.7

**CHANGES IN THE NUMBER OF CHAIN, DEPARTMENT AND
INDEPENDENT STORES IN THE KESKUS SHOPPING MALL**

- 1975 to 1985 -

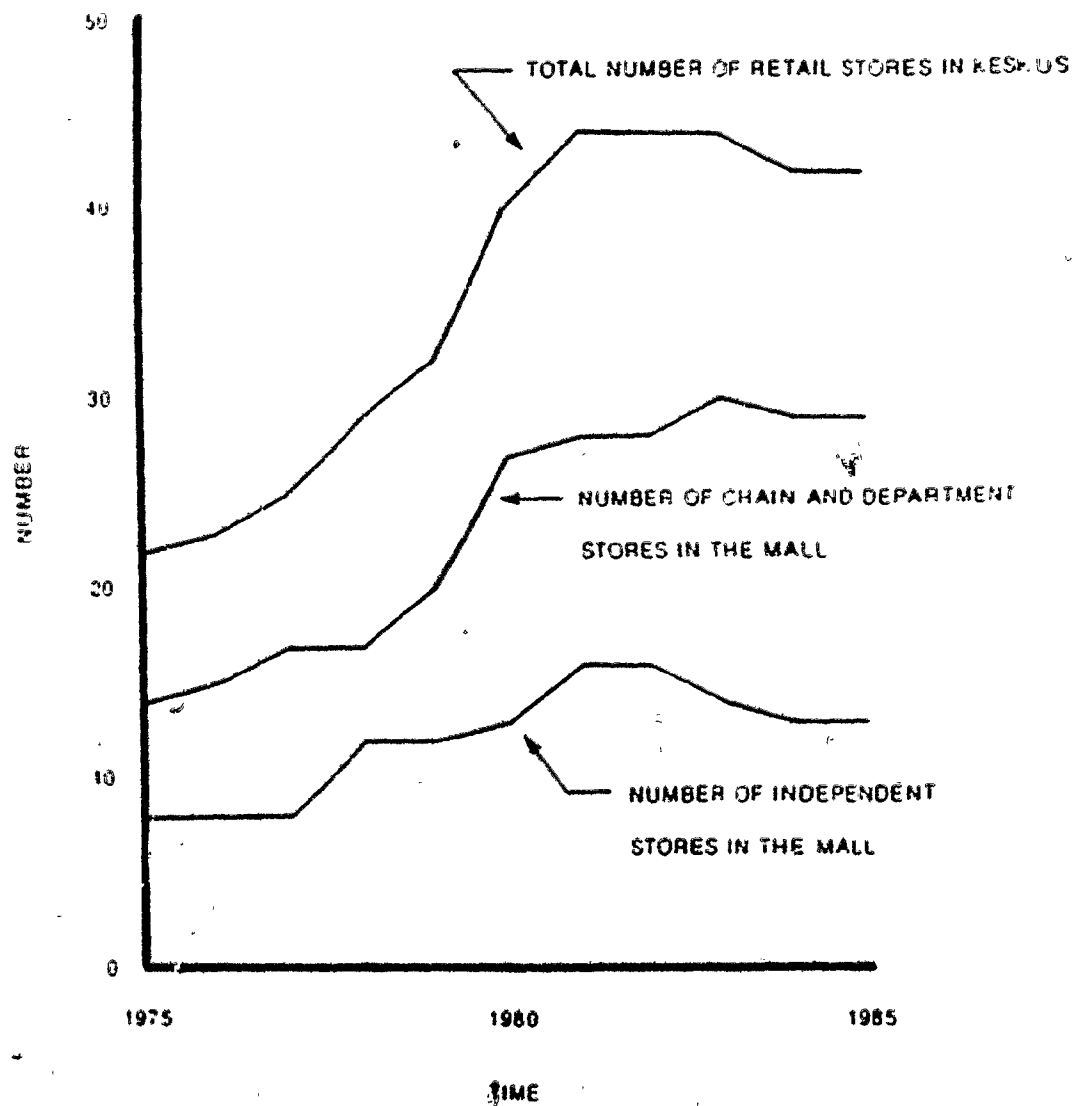


TABLE 4.3

**DSTM STORES ON TRADITIONAL SHOPPING STREETS
AS A PERCENTAGE OF ALL DSTM STORES IN THE CBD**

YEAR	STREET STORES AS A PERCENTAGE OF TOTAL
1974	100.0
1975	75.3
1976	74.4
1977	73.4
1978	71.0
1979	68.6
1980	65.8
1981	63.6
1982	62.4
1983	60.4
1984	61.1
1985	62.5

When viewed in absolute terms, a decline in the number of retail establishments on the traditional shopping streets in the CBD of Thunder Bay North, is very evident, prior to the construction of the Keskus Mall. The total number of stores fell from 99 in 1965, by almost a third, to 67 in 1975. During this period, the decline in the total number of stores can be largely attributed to a decline in the number of locally owned, independent retail enterprises. Of the 32 store decline in the area between 1965 and 1975, 27 (or 84%) resulted from a drop in the number of local stores. Chain stores in the area fell by five, accounting for only 16% of the total decline. It should be noted, however, that during this 10 year period, the small decline in the total number of chain stores in the area was a function of the small number of chain stores present in the first place, as both locals and chains fell by close to a third.

It was hypothesized that the development of the Keskus Mall would, contribute to the problems facing merchants on the streets and the decline in the number of retail enterprises, especially those locally owned, would continue and perhaps accelerate. As discussed, in relative terms this has held true. However, the data collected, suggest that in absolute terms this has not been the case at all. Since the construction of the mall, the decline in the total number of stores on the surrounding streets in the CBD has been totally arrested and slight growth is evident. As mentioned, in 1975, the total number of stores on the street was 67. By

1985. rather than continuing to fall, this number had grown to 70.

This levelling off, and slight increase, in the total number of stores on the traditional shopping streets in the CBD has not been the result of infill by chain stores, as the number of locally owned retail establishments continues clearly to make up the vast majority of stores on the streets. From 1975 to 1985 the number of locally owned stores increased from 56 to 62; an increase in their percentage share of all stores on the street of five percent. Chain stores, on the other hand, have continued to decline in number falling by three to eight or 11% of all stores on the streets (see Figure 4.8). It should be noted, however, that the decline in the number of chain stores on the streets can be partially attributed to the movement of some into the mall.

An examination of the total number of stores in the CBD clearly shows a reversal from the decline, occurring prior to the Keskus Mall, to a marked increase following its development (see Figure 4.9 and Tables 4.4 and 4.5). Having fallen from 99 in 1965 to a low of 72, just prior to construction of the mall in 1974, the total number of retail enterprises in the CBD of Thunder Bay North steadily rose to a high of 121 in 1981. From 1981 to 1984 a decline in the total number by 10 stores occurred and has been largely attributed to the impacts of the Inter City Shopping Centre

FIGURE 4.8

**CHANGES IN THE NUMBER OF CHAIN, DEPARTMENT AND
INDEPENDENT STORES ON THE TRADITIONAL
SHOPPING STREETS - 1965 TO 1985 -**

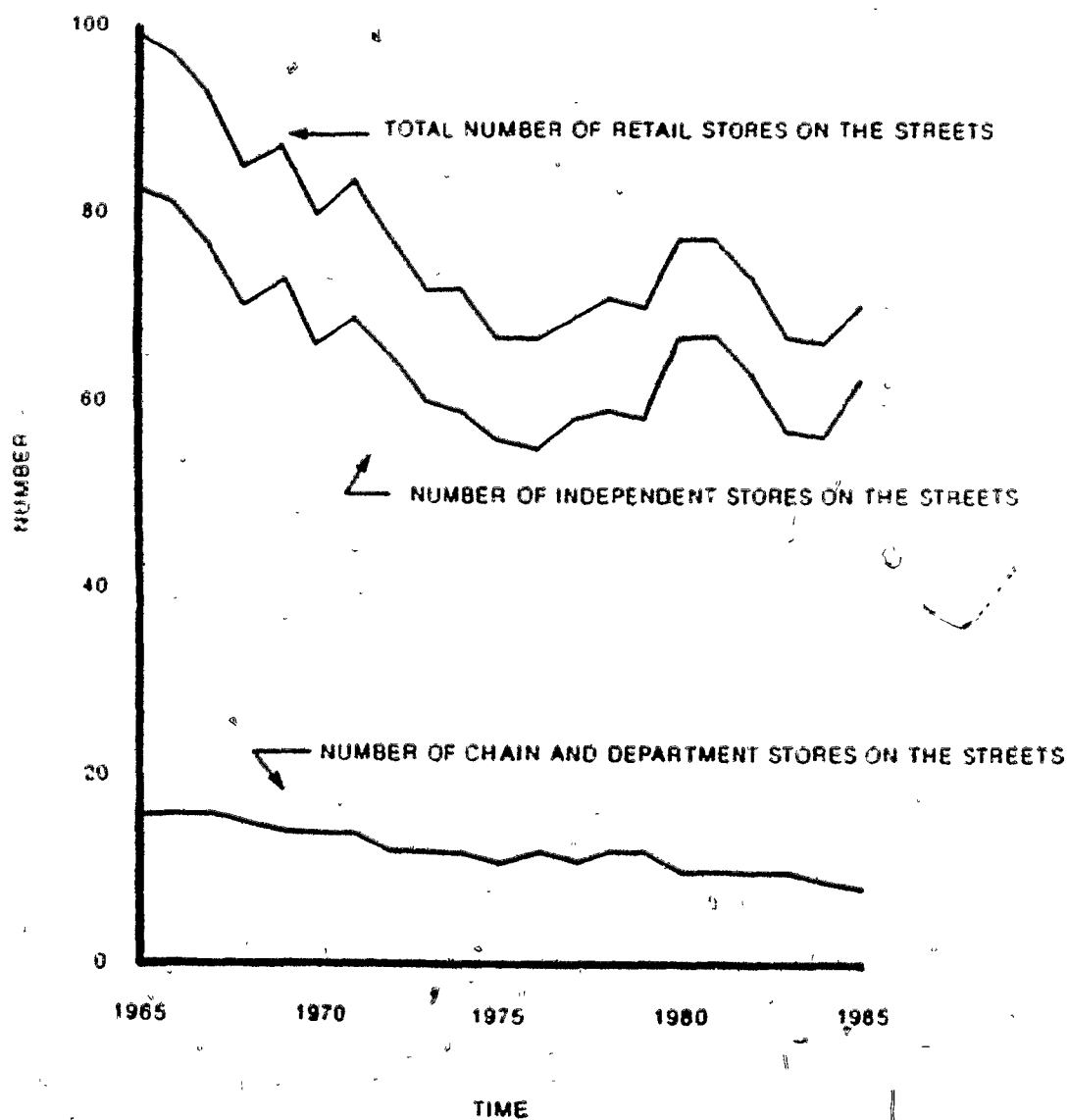


FIGURE 4.9

**CHANGES IN THE TOTAL NUMBER OF CHAIN, DEPARTMENT AND
INDEPENDENT STORES IN THE CBD STUDY AREA - 1965 TO 1985 -**

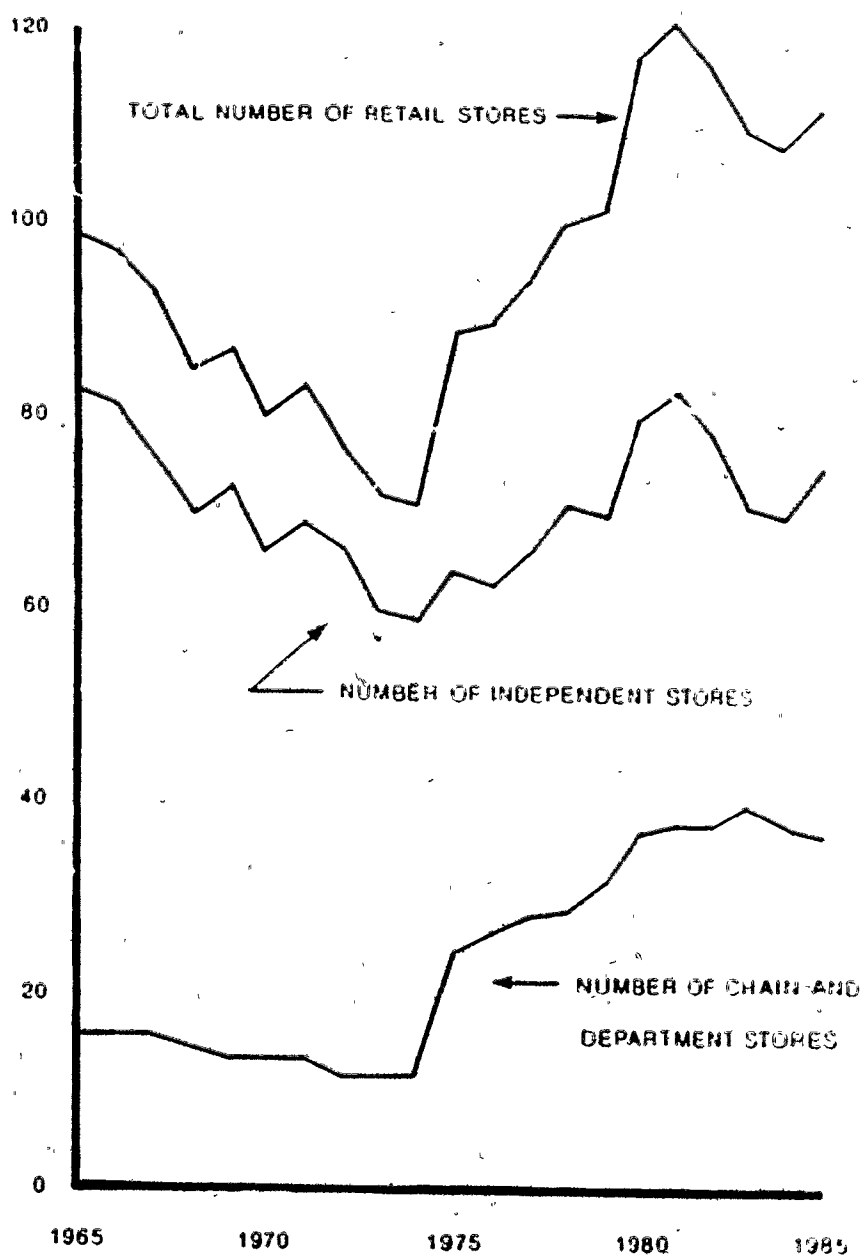


TABLE 4.4

STORES IN THE CBD STUDY AREA BY TYPE AND LOCATION

YEAR	TOTAL ON STREET	INDEPENDENTS ON STREET	DEPARTMENT AND CHAINS ON STREET	TOTAL IN KESKUS	INDEPENDENTS IN KESKUS	DEPARTMENT AND CHAINS IN KESKUS
1965	99	83	16	-	-	-
1966	97	81	16	-	-	-
1967	93	77	16	-	-	-
1968	85	70	15	-	-	-
1969	87	73	14	-	-	-
1970	80	66	14	-	-	-
1971	83	69	14	-	-	-
1972	77	65	12	-	-	-
1973	72	60	12	-	-	-
1974	71	59	12	-	-	-
1975	67	56	11	22	8	14
1976	67	55	12	23	8	15
1977	69	58	11	25	8	17
1978	71	59	12	29	12	17
1979	70	58	12	32	12	20
1980	77	67	10	40	13	27
1981	77	67	10	44	16	28
1982	73	63	10	44	16	28
1983	67	57	10	44	14	30
1984	66	57	9	42	13	29
1985	70	62	8	42	13	29

Source: Figures compiled from Henderson City Directories

TABLE 4.5

**TOTAL NUMBER OF CHAIN, DEPARTMENT AND INDEPENDENT
STORES IN THE CBD STUDY AREA - 1965 TO 1985 -**

YEAR	TOTAL	INDEPENDENTS	DEPARTMENT AND CHAINS
1965	99	83	16
1966	97	81	16
1967	93	77	16
1968	85	70	15
1969	87	73	14
1970	80	66	14
1971	83	69	14
1972	77	65	12
1973	72	60	12
1974	71	59	12
1975	89	64	25
1976	90	63	27
1977	94	66	28
1978	100	71	29
1979	102	70	32
1980	117	80	37
1981	121	83	38
1982	117	79	38
1983	111	71	40
1984	108	70	38
1985	112	75	37

Source: Figures compiled from Henderson City Directories

recently opened. There is evidence, however, to suggest that the impacts of the Inter City Shopping Centre have levelled off, as the total number of stores in the CBD increased again in the period from 1984 to 1985 by four.

The number of chain stores, in the CBD, has increased most markedly since 1975; obviously the direct result of the opening of the Keskus Mall. From 12 in 1974, the number of chain stores in the area has grown by some 208% to 37 in 1985.

Prior to the mall's construction, though declining rapidly in absolute terms, the number of independent stores had remained stable relative to the total number of stores in the CBD. The opening of Keskus and the steady increase in the number of chain stores present in the mall contributed largely to the steady and noticable decline in the relative number of independent stores in the CBD. From 83.8% in 1974 the number of independent stores fell to 67.0% of all stores in the study area (see Table 4.6). Proportionate to the relative decline in independent stores, chain stores increased their percentage share of all stores in the area from 16.9% in 1974 to 33.0% in 1985.

It cannot be deduced, however, that this growth has been at the expense of locally owned enterprises for since 1974, locally owned enterprises have increased in number from 59 to 75; a growth of some 79%.

TABLE 4.6

**INDEPENDENT DSTM STORES AS A PERCENTAGE
OF ALL DSTM STORES IN THE CBD**

YEAR	INDEPENDENT STORES AS A PERCENTAGE OF TOTAL
1974	83.1
1975	71.9
1976	70.0
1977	71.0
1978	68.6
1979	68.4
1980	68.4
1981	68.6
1982	67.5
1983	64.0
1984	64.8
1985	67.0

4.2.1 CBD RETAIL SUMMARY

In summary, the Keskus Mall development opened in 1975 with 22 retail outlets. This number had grown to 42 by 1985. The majority of the retail outlets remain chain stores and the proportion of chains to locally owned stores in the mall has slowly increased. The number of chain stores on the traditional shopping streets within the CBD, however, has not been declining in number as quickly as prior to the mall's opening, though they have continued to drop in number slightly.

The number of local stores in the Keskus Mall have increased slightly since its opening, though not as rapidly as the chain stores. On the traditional shopping streets around the mall, however, the rapid decline in the absolute number of local stores has been totally arrested and slight increases have been noted.

In the CBD, as a whole, a marked increase in the total number of stores has occurred since the construction of Keskus. The number of chain stores have increased, the growth occurring totally from within the mall, and the number of local stores have increased, resulting both from a growing number of local stores in the mall and on the street.

The rapid decline in the number of stores in the area, prior to the opening of the Keskus Mall, has been totally reversed, with a marked trend toward growth.

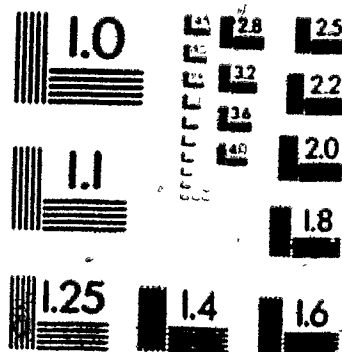
5.0 CONCLUSIONS

The process and patterns of urban growth in the last number of decades have left a great many central business districts in a state of deterioration. Numerous parties have become involved in efforts to rejuvenate these downtown areas, for a great many reasons. These range from a sense of responsibility to the historic, social and cultural assets the traditional downtown represents to a fear of economic losses resulting from the devaluation of vast amounts of capital assets.

The nature of rejuvenation projects encompasses as wide a range as the reasons behind their initiation. One of the most dramatic means of renewal attempted to date involves the radical redevelopment of a large section of the CBD and the construction of a retail shopping mall. It is hoped, by those supporting this form of redevelopment, that a downtown mall will renew consumer activity in the area. It is further hoped that by increasing consumer activity the development of the mall will entice other investments in the area and thus eventually reverse the downward spiral of deterioration.

Optimism in this form of downtown renewal, however, is not shared by all. It has been suggested that even if the mall itself is successful, benefits may not be felt in the surrounding area, as consumers may come to the downtown, but confine their activities to within the shopping centre, with

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this line of logic, it can be argued that the development of a shopping mall might have a negative impact on the area as existing levels of consumer activity, low though they may be, would decline as shoppers are drawn into the mall and away from the traditional shopping streets.

A possible ramification of a downtown mall which has received little attention involves the nature of retail ownership. As discussed in Chapter Two, a symbiotic relationship appears to exist between major multi-branch chain and department store corporation and development firms. As a result, shopping malls are usually dominated by multi-branch enterprises at the expense of local independent merchants. The injection of multi-branch stores in the CBD as a result of a mall development may represent a significant change in the patterns of retail ownership and these changes may have far reaching effects.

With the economies of scale afforded to the large national chain organizations, and thus the powerful competition they represent, it seems reasonable to expect that their establishment in the heart of an area traditionally dominated by independent merchants would have considerable negative impacts on the local retail community.

In addition to placing added stress on local enterprises, growth in the number of chain store organizations leads to a decline in local control over the retail environment. As discussed, area promotions become

harder to co-ordinate and retail rejuvenation projects become more difficult to implement as the managers of chain stores must generally seek the approval of those at head office before becoming involved in such undertakings.

Despite the obvious significance of impacts that would result from shifts in retail ownership patterns, very little research in this area has been undertaken. When considering the effects a downtown mall development may have on these patterns of retail ownership it is also surprising that malls, as a means of renewal, have not received more attention. This is especially true as the number of malls constructed in downtown areas in recent years and likely to be constructed in the near future is so great. It has been the intent of this thesis, through a study of the evolution of retail business in the CBD of Thunder Bay North with respect to the impacts of the downtown Keskus Mall development, to add to this current body of knowledge.

The framework for a descriptive model of change in retail activities was advanced in Chapter Two. It focuses on changes in the downtown in response to the development of a shopping mall, and has been central to this thesis. Three main hypotheses are embodied in the scenario this model depicts.

The first hypothesis suggests that the number of retail outlets in the CBD is on the decline. The case study has clearly shown this hypothesis to be false. Rather than continuing to decline, the number of stores in the CBD of

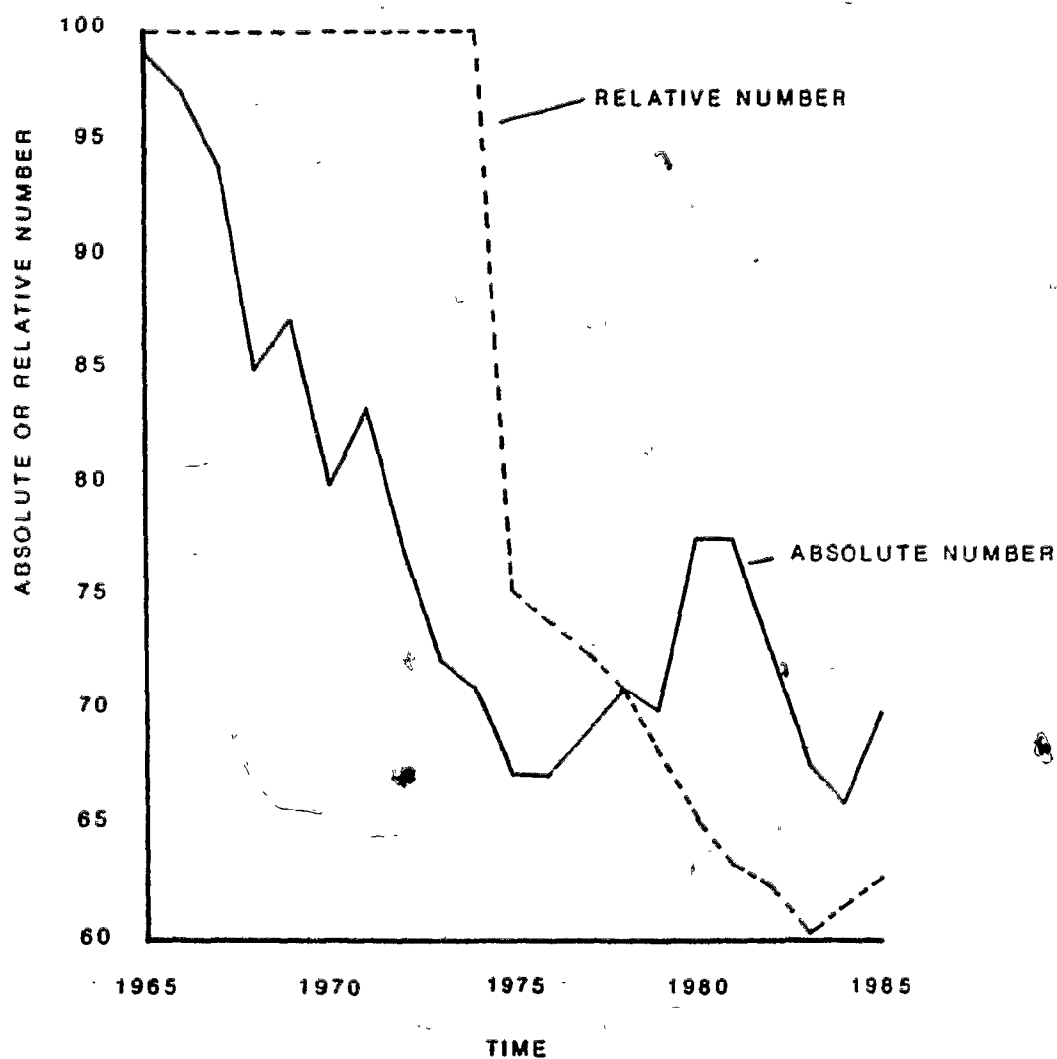
Thunder Bay North has risen considerably since the mall's development. Though increases in the number of stores in the CBD have not been as rapid as in other areas in the city, the shift from rapid decline to significant growth is apparent.

The second hypothesis suggests that the development of a downtown shopping mall would not result in the net gain of retail enterprises as gains from within the mall would be offset by losses in the number of retail enterprises on the surrounding shopping streets. It has become apparent that the validity of this hypothesis is largely dependent upon how the data is examined. As shown in Figure 5.1, in relative terms, the development of Keskus has resulted in a decline in the number of stores on the surrounding streets as a percentage of all stores in the study area. As previously discussed, however, this only indicates that growth in the number of stores in the mall has been greater than growth in the number of stores on the streets. In absolute terms, the decline in the number of stores on the streets prior to the development of Keskus has now been totally arrested with the trend now being toward growth.

Third, it is hypothesized that, within the CBD, independent owner-operated retail outlets have experienced the sharpest decline in number, while externally controlled multi-branch enterprises may have experienced growth. It was expected that downtown mall developments, favouring the

FIGURE 5.1

**A COMPARISON BETWEEN THE ABSOLUTE NUMBER OF DSTM STORES
ON THE TRADITIONAL SHOPPING STREETS AND THEIR PERCENTAGE
OF ALL DSTM STORES IN THE CBD OVER TIME**



entry of multi-branch stores, accelerate the displacement of locally owned independents.

The negative impacts associated with monopoly control, allegedly typical of mall developments, do not appear to have been felt in the CBD of Thunder Bay North. Though there has been a significant rise in the number of multi-branch type stores in the study area, this has not been the result of an increase of chain stores on the surrounding shopping streets, as had been expected. Rather, this growth in the total number of chain stores has resulted solely from the addition of chain stores in the mall.

It is suggested that this growth has not been at the expense of the local merchants. It must be emphasized that, as with the second hypothesis, this conclusion is dependent upon how the data is examined. As shown in Figure 5.2, rapid growth in the number of chain stores from within the mall has resulted in a relative decline in the number of local stores in the CBD. In absolute terms, however, they too have increased in number, both in the mall as well as on the streets since the development of the mall. This is a notable change from the rapid decline in number evident prior to the mall's opening.

The model of change in retail activities in downtown areas, presented in Chapter Two, has clearly not stood up under examination. Figure 5.3 shows this model revised and drafted in proportion to the case study findings.

Though shown to be false in the Thunder Bay case study,

FIGURE 5.2

**A COMPARISON BETWEEN THE ABSOLUTE NUMBER OF INDEPENDENT
DSTM STORES AND THEIR PERCENTAGE OF ALL DSTM STORES
IN THE CBD OVER TIME**

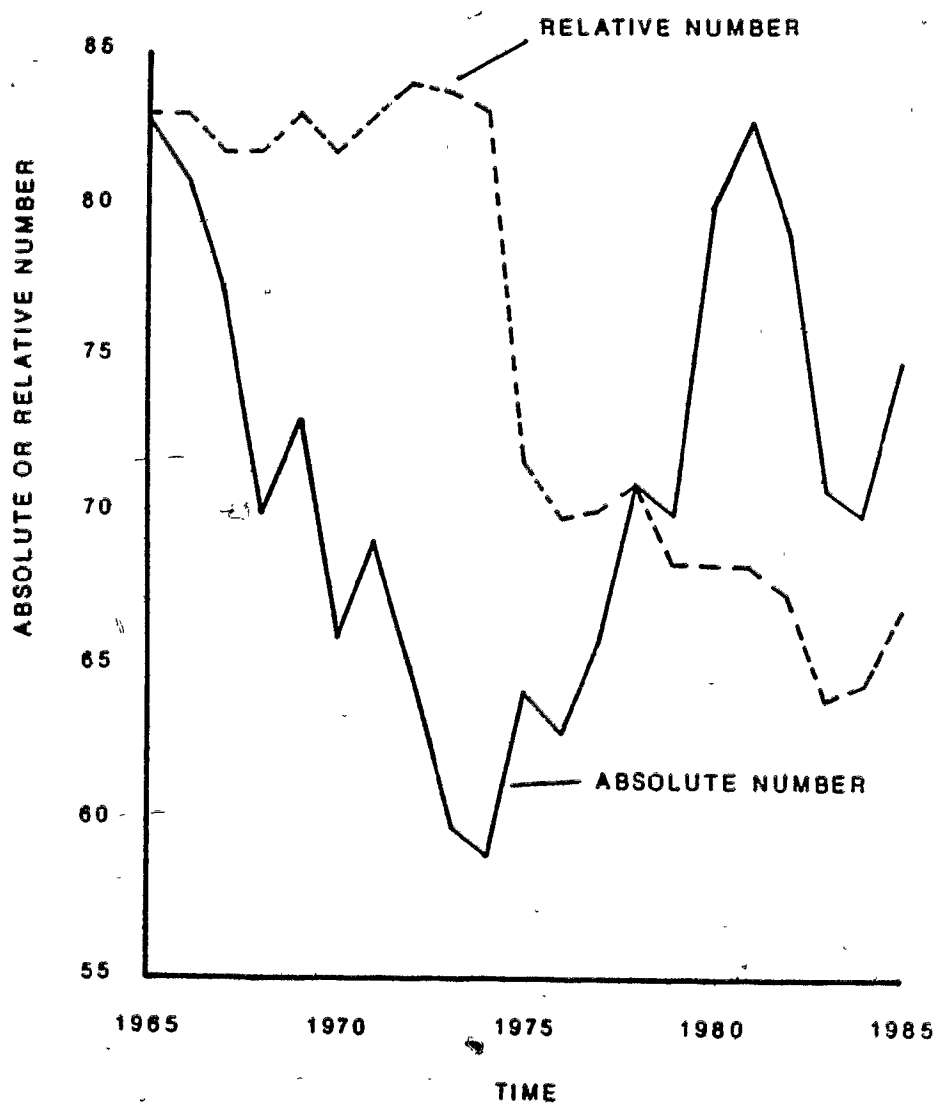
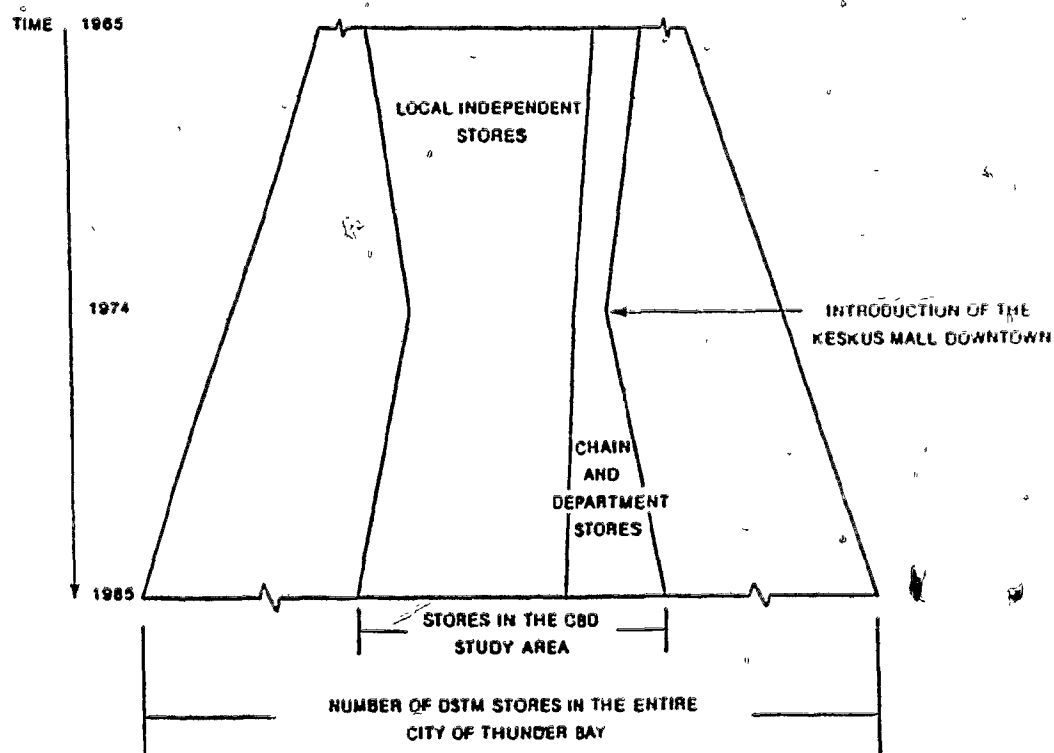


FIGURE 5.3

A REVISED DESCRIPTIVE 'MODEL' BASED ON
THE CASE STUDY FINDINGS



there was, unquestionably, merit to the advancement of the hypotheses discussed. It has been learned, through interviews with businessmen in the area, that local merchants in the CBD had concerns about these same potential impacts prior to the mall's construction. Though a good number of merchants were originally opposed to the development of Keskus in the early 1970's, all of those interviewed said that they now feel they benefit significantly from the mall's presence.

A number of possible reasons exist for these somewhat surprising patterns of growth in the CBD of Thunder Bay North. One such reason may lie in the fact that the physical layout of the CBD of Thunder Bay North prior to the Keskus Mall development, as well as the design of the mall itself, were such that very few enterprises were closed directly as a result of the mall's construction. Few expropriations or relocations were required and the mall's actual construction was accomplished with a surprising lack of disruption to the normal day-to-day functioning of the area.

Another possible factor in the growing number of stores in the CBD since the mall's development may lie in the extent to which the mall is physically integrated with its surroundings. Other studies have suggested that downtown mall developments will draw consumers, but these consumers often patronize only those stores in the mall and seldom venture outside the mall to make purchases from stores on

the surrounding streets. This case study, however, would infer that this type of consumer pattern is not dominant. The design of the Keskus Mall is such that, with the exception of consumers parking in the mall's parkade, most parking locations require the consumer to walk a considerable distance along the streets prior to entering the mall. In this way the mall appears well integrated with the CBD.

Interviews with local merchants have served to confirm this suspicion, as most feel they benefit greatly from the pedestrian traffic that has been generated by the mall. It is interesting to note that several merchants mentioned that they seem to benefit from major sales occurring inside the mall, as consumer dollars often "spill over" during such events.

As mentioned, this study found no firm evidence of negative impact on local merchants resulting from competition from chain stores in the area. Some merchants have stated that they feel that the advantages held by multi-branch enterprises are often over-rated. In a discussion with the manager of Tip-Top Tailors, one of the chains in the Keskus Mall, one disadvantage of the multi-branch system became evident, this being their inability to respond quickly to local market conditions. Nancy Hall, the store manager, said that almost all decisions regarding the store's operations are made elsewhere. She is apparently told what items are to be sold at what price and has very

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little control over inventory, sales or promotions. In this way the local merchants have a decided advantage as they are able to, almost instantaneously, co-ordinate their stores' sales to complement the activities of the stores around them. They are able to decide themselves which items they will sell and at what price. It is this flexibility, according to Glen Hamilton, President of the North Ward BIA, perhaps more than any other factor, that has allowed the locally owned stores on the streets surrounding the mall to remain and benefit from the mall's presence.

A significant advantage held by multi-branch stores, however, is their ability to purchase in bulk such that the price of goods is reduced by the manufacturer or producer. This advantage is being usurped by some local independent merchants who have banded together to make bulk purchases much as a chain store might. In the CBD of Thunder Bay North, this is the case for one furniture store. The owner has co-ordinated his purchasing with a number of other stores and thus is afforded reduced costs of merchandise. In a discussion with a local stereo store owner, it was learned that many independent merchants, though they may be small, have been successful in making arrangements directly with manufacturers and have successfully cut out the cost added by wholesalers.

Though it would seem apparent that it is a mistake to assume that all mall developments in downtown environments

will lead to conflicts with locally owned retail enterprises in existence, it is important to point out the limitations and assumptions made in this case study. The most notable of these assumptions is the inference made in the study that the number of retail stores in the study area is somehow synonymous with its state of well being. Perhaps an equally effective way of examining change in the CBD could have been to trace the amount of floor space dedicated to retail activities. This approach would have necessitated a compromise in accuracy, however, as many estimates as to floor space would have to be made due to the lack of any existing data base. Perhaps the best method of determining impacts of the Keskus Mall would have been to develop a data base regarding sales volumes or the dollar value of sales. This information would have been particularly difficult to collect, however, as again, no data set currently exists. Further, merchants in existence would unquestionably be reluctant to divulge such information, and sales of retail operations no longer in existence would be almost impossible to determine. Though perhaps not appropriate if universally applied, the method used in this case study has presented, as accurately as possible, an assessment of the trends over the past two decades.

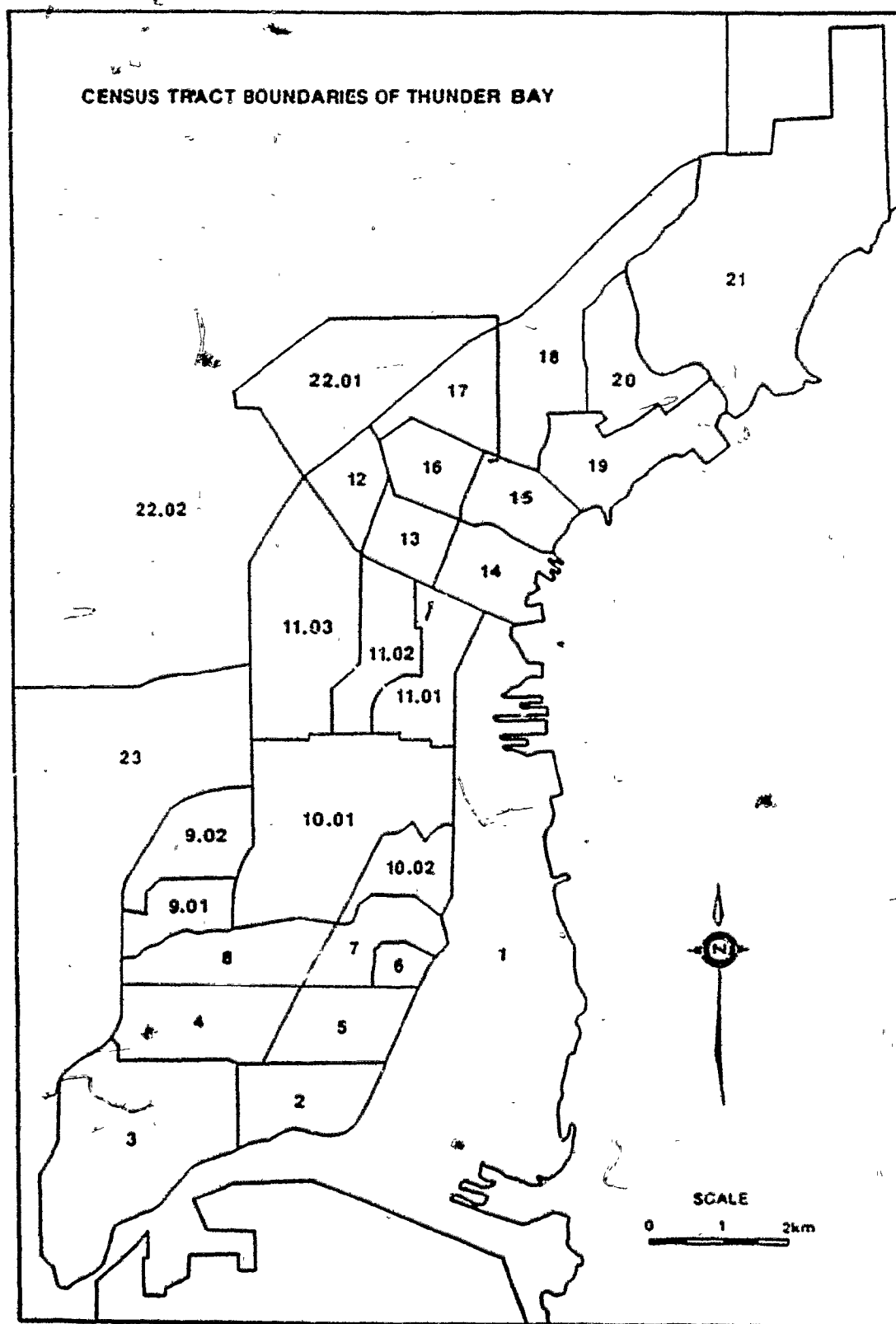
In conclusion, it would appear that the development of a downtown mall as a means of core area revitalization can have positive effects. Local merchants should not, therefore, automatically fear the worst. There may be

prerequisites that must be met, however, in order that a downtown mall have the positive impacts seen resulting from Keskus in Thunder Bay. These would seem to include the careful integration of the mall with the existing retail environment and as little disturbance as possible to the operations of the downtown during the mall's construction.

The subject certainly requires much more study, as to date very little work in this area has been done. There is a particular need for quantitative analysis regarding the impacts of downtown malls as so little data presently exists. It would appear, however, that, when properly coordinated by planners, developers and the business community, downtown malls can be effective means of renewal.

APPENDIX

APPENDIX



Source: Statistics Canada (1981) Census of Canada, Catalogue #95-934.

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